United Nations

United Nations Joint Staff Pension Fund

Report of the United Nations Joint Staff Pension Board

General Assembly

Official Records
Fifty-fifth session
Supplement No. 9 (A/55/9)

General Assembly
Official Records
Fifty-fifth session
Supplement No. 9 (A/55/9)

United Nations Joint Staff Pension Fund

Report of the United Nations Joint Staff Pension Board

United Nations • New York, 2000

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[30 August 2000]

Contents

Chapter		Paragraphs	Page
	Abbreviations		vi
I.	Introduction	1–10	1
II.	Summary of the operations of the Fund for the biennium ended 31 December 1999	11–13	2
III.	Actuarial matters	14–69	3
	A. Twenty-fifth actuarial valuation of the Fund as at 31 December 1999	14–47	3
	B. Measures considered consequent to the results of the actuarial valuation of the Fund as at 31 December 1999	48–60	12
	C. Transfer agreement with the World Trade Organization and progress report on the development of a new agreement with the International Bank for Reconstruction and Development	61–66	15
	D. Membership of the Committee of Actuaries	67–69	16
IV.	Investments of the Fund	70–104	16
	A. Management of the investments	70–103	16
	B. Membership of the Investments Committee	104	22
V.	Financial statements of the Fund and report of the Board of Auditors	105–116	23
VI.	Longer-term administrative arrangements of the Fund	117–154	25
	A. Introduction	117–121	25
	B. Strategic plan for the operations of the Fund	122–146	26
	C. Enhancement of the role of the office of the Fund in Geneva	147–150	31
	D. Delegation of personnel and procurement decisions to the Fund	151–153	32
	E. Office space for the Fund in New York and Geneva	154	33
VII.	Entitlement to survivors' benefits for spouses and former spouses	155–185	33
	A. Introduction	155–156	33
	B. Surviving spouse's benefit for divorced spouse(s)	157–165	33
	C. Purchase of survivors' benefits in respect of marriages after retirement	166	35
	D. Continuation of surviving spouse's benefit after remarriage	167–171	35
	E. Establishment of a payment facility for meeting family maintenance obligations	172–177	36

F. Other matters ... 178–185 38

VIII. Pension adjustment system ... 186–200 39

A. Monitoring of the costs/savings of recent modifications of the two-track feature of the pension adjustment system ... 186–197 39

B. Method of determining cost-of-living adjustments of pensions in award ... 198–200 42

IX. Status of the proposed agreement between the Board and the Government of the Russian Federation ... 201–232 42

X. Other matters ... 233–276 49

A. Review by the International Civil Service Commission of the common scale of staff assessment for pensionable remuneration purposes ... 233–240 49

B. Composition of the Board and its Standing Committee ... 241–252 51

C. Proposed amendments to articles 6 and 14 of the Regulations ... 253–256 53

D. Possible penalties in cases of fraud by participants and beneficiaries ... 257–262 54

E. Judgement of the United Nations Administrative Tribunal requiring action by the General Assembly ... 263–272 55

F. Emergency Fund ... 273–276 57

Annexes

I. Statistics on the operations of the Fund for the biennium 1998-1999 ... 59

Table 1. Number of participants ... 59

Table 2. Benefits awarded to participants or their beneficiaries ... 60

Table 3. Analysis of periodic benefits ... 61

II. Audit opinion, financial statements and schedules for the biennium 1998-1999 ... 62

A. Audit opinion ... 62

B. Notes to the financial statements for the biennium 1998-1999 ... 63

Statement I. Income and expenditure ... 65

Statement II. Assets, liabilities, and principal of the Fund ... 67

Statement III. Cash flow ... 68

Schedule 1. Administrative expenses ... 69

Schedule 2. Summary statement of investments ... 72

Schedule 3. Comparison of cost value and market value of investments ... 73

Schedule 4. Summary statement of accounts receivable from investments ... 74

Schedule 5. Summary statement of accrued income from investments ... 75

Schedule 6. Summary of foreign tax accounts receivable ... 76

III. Report of the Board of Auditors to the General Assembly on the accounts of the Fund for the biennium ended 31 December 1999 ... 77

IV. Statement of actuarial sufficiency as at 31 December 1999 of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations 94

V. Statement of actuarial position of the Fund as at 31 December 1999 95

VI. Sensitivity analysis 96

VII. Agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of participants in the Pension Plan of the World Trade Organization 98

VIII. Member organizations of the Fund 100

IX. Membership of the Board and attendance at the fiftieth session 101

X. Membership of the Standing Committee 106

XI. Membership of the Committee of Actuaries 107

XII. Membership of the Investments Committee 108

XIII. Amendment to the Administrative Rules of the United Nations Joint Staff Pension Fund 109

XIV. Recommendations to the General Assembly for amendment of the Regulations of the United Nations Joint Staff Pension Fund 110

XV. Recommendations to the General Assembly for changes in the pension adjustment system of the United Nations Joint Staff Pension Fund 114

XVI. Draft resolution proposed for adoption by the General Assembly 117

Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
ADB	Asian Development Bank
AFICS	Association of Former International Civil Servants
CCAQ	Consultative Committee on Administrative Questions
CCISUA	Coordinating Committee for International Staff Unions and Associations of the United Nations System
EBRD	European Bank for Reconstruction and Development
ECA	Economic Commission for Africa
EPPO	European and Mediterranean Plant Protection Organization
ESCWA	Economic and Social Commission for Western Asia
FAFICS	Federation of Associations of Former International Civil Servants
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Organization
ICCAT	International Commission for the Conservation of Atlantic Tunas
ICCROM	International Centre for the Study of the Preservation and the Restoration of Cultural Property
ICGEB	International Centre for Genetic Engineering and Biotechnology
ICITO/GATT	Interim Commission for the International Trade Organization/ General Agreement on Tariffs and Trade
ICJ	International Court of Justice
ICSC	International Civil Service Commission
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund

IMO	International Maritime Organization
ISA	International Seabed Authority
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization
UNJSPF	United Nations Joint Staff Pension Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNOG	United Nations Office at Geneva
UNON	United Nations Office at Nairobi
UNOV	United Nations Office at Vienna
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO (Tourism)	World Tourism Organization
WTO (Trade)	World Trade Organization

I. Introduction

1. The United Nations Joint Staff Pension Fund was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that, since then, have been amended at various times.

2. The Fund is administered through the United Nations Joint Staff Pension Board, which consists of 33 members, representing the 19 member organizations that are listed in annex VIII to the present report. One third of the members of the Board are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads and one third by the participants. The Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred by the Board in the administration of the Fund — principally the cost of its central secretariat at United Nations Headquarters in New York and its office in Geneva, and the expenses of managing its investments — are met by the Fund.

3. The present report is submitted by the Board following its fiftieth session, held at the headquarters of the World Meteorological Organization in Geneva from 5 to 14 July 2000. The members, alternate members and representatives accredited to the session of the Board, the Chairman and other officers elected by the Board, and those who actually attended are listed in annex IX to the present report.

4. The major items dealt with by the Board were: (a) actuarial matters, including in particular the twenty-fifth actuarial valuation of the Fund as at 31 December 1999; (b) management of the investments of the Fund, including reports by the representative of the Secretary-General for the investments of the Fund on the investment strategy and performance for the two-year period ending 31 March 2000; (c) longer-term administrative arrangements of the Fund; (d) entitlement to survivor's benefits for spouses and former spouses; (e) reviews of several features of the pension adjustment system; and (f) status of the proposed agreement between the Fund and the Government of the Russian Federation concerning the pension-related claims of former Fund participants from the former USSR.

5. The Board examined and approved the financial statements and schedules for the year ended 31 December 1999 and considered the report of the Board of Auditors on the accounts and operations of the Fund and a report on the internal audits of the Fund. It also considered possible penalties in cases of fraud by participants and beneficiaries, pursuant to observations made by the Board of Auditors.

6. Other matters considered by the Board and included in the present report were: (a) a proposed transfer agreement between the Fund and the World Trade Organization; (b) review by the International Civil Service Commission of the common scale of staff assessment for pensionable remuneration purposes; (c) the size and composition of the Pension Board and its Standing Committee; and (d) a change in the pension adjustment system of the Fund, consequent to a judgement of the United Nations Administrative Tribunal.

7. The membership of the Standing Committee, which acts on behalf of the Board when the latter is not in session, is given in annex X to the present report.

8. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is given in annex XI.

9. The membership of the Investments Committee, established under article 20 of the Regulations, is given in annex XII.

10. Section II below provides a summary of the operations of the Fund for the biennium ended 31 December 1999. Sections III to X address issues on which action is required by the General Assembly, as well as matters on which the Board is obliged to report to the Assembly. **The salient observations, conclusions and recommendations of this report are highlighted in bold type**. A draft resolution for the consideration of the General Assembly is contained in annex XVI.

II. Summary of the operations of the Fund for the biennium ended 31 December 1999

11. During the biennium ended 31 December 1999, the number of participants contributing to the Fund increased from 67,740 to 68,935, or by 1.8 per cent; the number of periodic benefits in award increased from 43,149 to 46,199, or by 7.1 per cent. As at 31 December 1999, the breakdown of the periodic benefits in award was as follows: 14,599 retirement benefits, 9,499 early retirement benefits, 6,501 deferred retirement benefits, 6,957 widows' and widowers' benefits, 7,796 children's benefits, 803 disability benefits, and 44 secondary dependants' benefits. During the period, 10,412 lump-sum withdrawal and other settlements were paid. A breakdown by member organization of participants and of benefits awarded is given in annex I to the present report.

12. During the same two-year period, the principal of the Fund increased from US$ 14,002,822,782 to $15,765,388,830, or by 12.6 per cent (see annex II, statement II).

13. The investment income of the Fund during the period amounted to $2,194,792,492, comprising $1,355,826,748 in interest and dividends and $838,965,744 in net profit on sales of investments. After deduction of investment management costs amounting to $37,012,001, net investment income was $2,157,780,491. A summary of the investments as at 31 December 1999, and a comparison of their cost and market values, is given in annex II, schedules 2 and 3.

III. Actuarial matters

A. Twenty-fifth actuarial valuation of the Fund as at 31 December 1999

Introduction

14. Article 12 (a) of the Regulations of the United Nations Joint Staff Pension Fund provides that "the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary". The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities. The practice of the Board has been to carry out a valuation every two years.

15. The Consulting Actuary submitted to the Board the report on the twenty-fifth actuarial valuation of the Fund as at 31 December 1999; the previous valuation had been as at 31 December 1997 and its results had been reported to the General Assembly at its fifty-third session in 1998.[1] The Board also had before it the observations of the Committee of Actuaries, which had examined the valuation report prior to its submission to the Board.

Actuarial valuation bases

16. The valuation had been prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Standing Committee in 1999, and in accordance with the Regulations and Administrative Rules of the Fund in effect as of the valuation date. As in the past years, the valuation reflected a fully dynamic basis, which assumes inflation to continue indefinitely in the future and with certain assumptions as to growth or decline in future years in the number of participants.

17. As was done in the last six valuations, the actuarial value of the assets as at 31 December 1999 was determined on the basis of a five-year moving market average method, subject to a limiting range of 15 per cent below and above the market value of the assets as at 31 December 1999. The five-year moving market value, before application of the limiting range of 15 per cent, was determined to be $20,807.6 million. Since this value was outside the limiting range, it was necessary to apply the lower boundary of that range. Therefore, the actuarial asset value was taken to be $22,186.8 million, which is 85 per cent of the market value as of 31 December 1999 ($26,102.1 million, after cash flow adjustments).

18. In determining future developments, three sets of economic assumptions and three sets of participant growth assumptions were used in various combinations. The economic assumptions were the same as those used in the previous valuations; the participant growth assumptions involved modest growth for 20 years, zero growth, and modest decline for 20 years. These assumptions are set out in the table below:

	I	II[a]	III
	(per cent)		
A. *Economic assumptions*			
Increase in pensionable remuneration (in addition to static increases)	5.5	5.5	5.5
Nominal rate of interest (investment return)	8.0	8.5	9.0
Price increases (reflected in increases of pensions to beneficiaries)	5.0	5.0	5.0
Real rate of interest (investment return after inflation)	3.0	3.5	4.0
Usual designation	5.5/8/5	5.5/8.5/5	5.5/9/5
Cost of two-track adjustment system (per cent of pensionable remuneration)	1.9	1.9	1.9
B. *Participant growth assumptions*			
For each of the first 20 years:			
Professional staff	0.5	0	-0.5
General Service staff	0.5	0	-0.5
After 20 years:			
Professional staff	0	0	0
General Service staff	0	0	0

[a] The assumptions used in the "regular valuation" as at 31 December 1997 and 31 December 1999.

Regular valuation

19. **The Committee of Actuaries recommended, and the Board agreed, that the 5.5/8.5/5 set of economic assumptions (i.e., 5.5 per cent annual increase in pensionable remuneration in addition to the static scale, 8.5 per cent nominal interest rate, and 5 per cent annual inflation rate with respect to increases in pensions after award), and the "zero participant growth assumptions" should serve as the basis of the regular valuation.**

20. The specific combinations included in the actuarial valuations as of 31 December 1999 were as follows: A.II with B.II (1997 and 1999 regular valuations); A.I with B.II; A.II with B.I; A.III with B.II; and A.II with B.III.

21. **With regard to the demographic assumptions, the following changes had been approved by the Standing Committee in 1999, acting on the recommendation of the Committee of Actuaries: an increase in the tabular rates of withdrawal for General Service staff by 15 per cent; a decrease in the rates of disability for all male staff by 25 per cent; extension of the use of increased rates of early retirement for a further four years to 2006, with an increase in the rates for females in the General Service category by 15 per cent for both the period up to 2006 and thereafter; extension of the forecast period of improvements in pensioner longevity for a further 15 years (i.e., the mortality rates under the current tables, the 1993 United Nations tables, would be reduced by 0.5 per cent of the initial tabular rate per annum until 2019).**

22. **The provision for administrative expenses was 0.26 per cent of pensionable remuneration, determined on the basis of the approved budget for the biennium 2000-2001 and the total pensionable remuneration of participants as at 31 December 1999.**

Analysis of valuation results

23. The table below provides the results of the twenty-fifth actuarial valuation and compares them with the results of the regular valuation as at 31 December 1997.

		Contribution rate required (as percentage of pensionable remuneration)		
Valuation date	*Valuation basis*	*Required rate*	*Current rate*	*Difference (surplus) deficit*
31 December 1999	5.5/8.5/5 with zero participant growth (regular valuation)	19.45	23.7	(4.25)
	5.5/8.0/5 with zero participant growth	22.52	23.7	(1.18)
	5.5/9/5 with zero participant growth	16.72	23.7	(6.98)
	5.5/8.5/5 with 20-year participant growth	19.45	23.7	(4.25)
	5.5/8.5/5 with 20-year participant decline	19.45	23.7	(4.25)
31 December 1997	5.5/8.5/5 with zero participant growth (regular valuation)	23.34	23.7	(0.36)

24. **Therefore, the regular valuation as at 31 December 1999 showed a decrease of 3.89 per cent in the required contribution rate from the rate disclosed as at 31 December 1997 (from 23.34 per cent to 19.45 per cent), resulting in an actuarial surplus of 4.25 per cent of pensionable remuneration.** As can be seen in the table above, under real rate of return assumptions of 3 per cent and 4 per cent, with zero participant growth, the results would be, respectively, surpluses 1.18 per cent and 6.98 per cent of pensionable remuneration, which demonstrates the major impact of the real rate of return assumption on the valuation results.

25. The elements contributing to the decrease in the required rate were as follows:

Elements	*Increase (decrease) in required contribution rate (as per cent of pensionable remuneration)*
(a) Interest on prior surplus	(0.06)
(b) Contributions at 23.70 per cent rather than at the required rate	(0.02)
(c) Investment experience	(2.73)
(d) Net effect of changes in the value of the United States dollar and cost-of-living adjustments for pensioners, and other gains affecting pensioners	(0.52)
(e) Net effect of changes in the value of United States dollar and actual inflation on pensionable remuneration	(0.87)
(f) Effect of higher-than-expected number of new entrants	(0.02)
(g) Effect of change in administrative expenses assumed in valuation	0.08
(h) Effect of changes in demographic assumptions	0.50
(i) Miscellaneous	(0.25)
Total change in required contribution rate	**(3.89)**

Current value of accrued benefits

26. As in previous reports, the actuarial valuation contained another indicator of the funded position of the Fund, namely a comparison of the current assets of the Fund with the value of the accrued benefits on the valuation date (i.e., the benefits for retired participants and beneficiaries and the benefits considered to have been earned by all current participants if their service were terminated on that date).

27. With respect to its liabilities for accrued benefits on a "plan termination" basis, the Fund was in a very strong funded position, as it had been for the past five valuations, if future adjustments of pensions were not taken into account. The funded ratios on that basis, which varied according to the rate of interest assumed, ranged from 175 to 185 per cent, with 180 per cent being applicable for the regular valuation. This meant that the Fund would have considerably more assets than needed to pay the pensions if no adjustments were made in pensions for changes in the cost of living. **The funded position decreased considerably when account was taken of the current system of pension adjustments, including the cost of the two-track system (1.9 per cent of pensionable remuneration); however, unlike the situation of underfunding in all previous valuations, the current valuation indicated a funded ratio in excess of 100 per cent (i.e., ranging from 107 to 119 per cent, with 113 per cent being applicable for the regular valuation).** As shown in the table below, the funded ratios have improved substantially since 1982, both with and without assuming future adjustments of pensions for inflation.

Funded ratios 1982-1999

	If future pension payments are made	
Valuation as of 31 December	*Without pension adjustments (per cent)*	*With pension adjustments (per cent)*
1982	90	49
1984	100	56
1986	118	67
1988	123	70
1990	131	77
1993	136	81
1995	132	81
1997	141	88
1999	180	113

Results of valuation in dollar terms and other disclosure statements

28. The General Assembly had requested the Board, in resolutions 47/203 of 22 December 1992 and 48/225 of 23 December 1993, to consider the form in which it presented the valuation results, taking into account, inter alia, the observations made by the Panel of External Auditors. The Auditors had requested the Board to include in its reports to the General Assembly disclosures and opinions as regards the valuation results, namely presentations of: (a) the valuation results in dollar terms; (b) a statement of sufficiency under article 26 of the Regulations of the Fund; and (c) a statement by the Committee of Actuaries and the Consulting Actuary on the actuarial position of the Fund, to which the Board of Auditors might refer in their observations on the accounts of the Fund.

29. Accordingly, the table below summarizes the valuation results as at 31 December 1999, both as a per cent of pensionable remuneration and in dollar terms, under the five combinations of economic and participant growth assumptions:

	Valuation results surplus (deficit)	
Economic assumptions	*As percentage of pensionable remuneration*	*In dollar terms (millions)*
5.5/8.5/5 with zero participant growth (regular valuation)	4.25	5 278.6
5.5/8.0/5 with zero participant growth	1.18	1 751.6
5.5/9.0/5 with zero participant growth	6.98	7 452.3
5.5/8.5/5 with 20-year participant growth	4.25	5 672.6
5.5/8.5/5 with 20-year participant decline	4.25	4 917.6

30. The table below provides the projected liabilities and assets of the Fund in dollar terms, as reflected in the regular valuation results as at 31 December 1999 and 31 December 1997, respectively:

	(Millions of United States dollars)	
	31 December 1999	*31 December 1997*
Liabilities		
Present value of benefits:		
Payable to or on behalf of retired and deceased participants	10 791.4	9 800.3
Expected to become payable on behalf of active and inactive participants, including future new entrants	35 238.6	33 193.0
Total liabilities	**46 030.0**	**42 993.3**
Assets		
Actuarial asset value	22 186.8	16 459.0
Current value of future contributions	29 121.8	26 951.6
Total assets	**51 308.6**	**43 410.6**
Surplus (deficit)	**5 278.6**	**417.3**

31. As they have in the past, the Consulting Actuary and the Committee of Actuaries stressed that care must be taken when considering the dollar amounts of the valuation results. The liabilities shown in the table above include those for individuals who have yet to join the Fund; similarly, the assets include the contributions for future new entrants. The surplus indicates only the future effect of continuing the current contribution rate under various actuarial assumptions as to future economic and demographic developments. The valuation results were highly dependent upon the actuarial assumptions used. As indicated in the table in paragraph 29 above, a much smaller surplus was indicated on the 5.5/8/5 valuation basis, i.e., a real rate of return of 3 per cent. Both the Consulting Actuary and the Committee of Actuaries pointed out that the actuarial surplus, when expressed in dollar terms, should only be considered in relation to the magnitude of the liabilities and not in absolute terms. The surplus of $417.3 million under the regular valuation as of 31 December 1997 represented 1.0 per cent of the projected liabilities of the Fund. The surplus of $5,278.6 million under the current regular valuation represented 11.4 per cent of the projected liabilities.

Hypothetical projection models

32. As in past valuations, hypothetical models of the estimated progress of the Fund over the next 30 years were also prepared on the basis of the economic assumptions in the regular valuation, using the zero-participant-growth assumptions. The results were presented in both nominal and inflation-adjusted terms. These models showed that the Fund balance at the end of the 30-year period would still be increasing, in both nominal and inflation-adjusted dollar terms. Additional models, in which the assumed real rate of return on investments ranged from 2 per cent to 5

per cent above the assumed 5 per cent rate of inflation, were also prepared. These models showed that the Fund balance continued to increase at the end of 30 years in nominal dollars in all cases, with the balances ranging from $97.0 billion to $296 billion.

Views of the Committee of Actuaries

33. In its report to the Board, the Committee of Actuaries noted that, after 20 years of deficits, this was the second consecutive valuation that had disclosed a surplus. The Committee noted further that a significant portion of the actuarial gain was attributable to the investment experience, which was significantly better than that projected under the actuarial economic assumptions. Additional strong gains resulted from the combined effects of continuing moderate inflation and the significant strengthening of the United States dollar against certain key currencies, which had a considerable impact on the pensionable remuneration of General Service staff in dollar terms and on the value of the local currency track pensions in equivalent dollar terms.

34. The Committee noted with satisfaction that the funded ratios showed strong improvement over those from the prior valuation and, for the first time, exceeded 100 per cent under each of the three sets of assumptions, with and without taking into account the assumptions for adjustments of pensions in award (para. 27 above).

35. **As regards the actuarial surplus as at 31 December 1999, after considering all relevant data, the Committee of Actuaries and the Consulting Actuary agreed that,**

> **"while a portion of the surplus might be made available at this time to improve benefits and/or reduce contributions, prudence dictated that a significant portion of the surplus should be retained. The Committee and the Consulting Actuary were of the view that it would be prudent to set aside, for adverse contingencies, a portion of the surplus equivalent in present value to between 2.0 per cent and 2.25 per cent of pensionable remuneration, subject to future review; the balance might be used for benefit/contribution changes. If the experience should continue to be favourable as of the next actuarial valuation (31 December 2001), additional portions of the surplus might then be made available for further benefit/contribution changes".**

Statements on the valuation results

36. The statement of actuarial sufficiency prepared by the Consulting Actuary and approved by the Committee of Actuaries is reproduced in annex IV to the present report. The statement indicates that

> **"the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on Regulations of the Fund in effect on the valuation date. Accordingly, there is no requirement, as of 31 December 1999, for deficiency payments under article 26 of the Regulations of the Fund".**

37. The statement of the actuarial position of the Fund, adopted by the Committee of Actuaries, is reproduced in annex V. In that statement, the Committee of Actuaries indicates that it had

"reviewed the results of the actuarial valuation as of 31 December 1999, which was carried out by the Consulting Actuary. Based on the results contained in the valuation report, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the Consulting Actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration is sufficient to meet the benefit requirements under the Plan.

"Recognizing the improvement in the actuarial position of the Fund, as evidenced by a surplus of current and projected assets over projected liabilities, estimated at 4.25 per cent of pensionable remuneration, the Committee of Actuaries and the Consulting Actuary are of the further opinion that a portion of the surplus, up to 2.25 per cent of pensionable remuneration in present value terms, could be applied towards increasing benefits, reducing contributions or a combination thereof, without detriment to the long-term financial viability of the Fund".

38. The Committee of Actuaries also informed the Board of its intention to review in 2001 the demographic and economic experience of the Fund over a number of years, with specific emphasis placed on the pensioners' longevity, as well as the rates of early retirement. It will submit recommendations to the Standing Committee on the assumptions to be used in the actuarial valuation of the Fund as at 31 December 2001.

Discussions in the Board

39. Clarifications were sought from the Consulting Actuary and from the Rapporteur of the Committee of Actuaries on various aspects of the actuarial valuation results and on the probable evolution of future valuation results in the years ahead.

40. Several members of the Board, while noting that the valuation results indicated a further and substantial improvement in the financial status of the Fund, requested information as to the extent to which the current actuarial results would vary if there should be significant changes in the market value of the assets of the Fund and in the other economic factors. The Board therefore requested a "sensitivity analysis" showing the extent to which future valuation results might change under various assumptions for changes in the key parameters. This analysis of the impact of three key parameters — asset declines, currency exchange declines, and inflation — is reproduced in annex VI.

41. In presenting the sensitivity analysis, the Consulting Actuary noted that, assuming all actuarial assumptions in the regular valuation model were met, the required contribution rate would be expected to fall further over the next several valuations, because of asset gains that were not yet fully reflected in the actuarial asset value used in the current valuation. Assuming no other sources of gain and loss, the required contribution rate would be projected to fall to 16.30 per cent over the next five years. It was further noted that it would require a major decline, of between 30 and 40 per cent, in the market value of assets before the surplus in the Fund on the regular valuation basis would be eliminated, assuming all other actuarial assumptions were met.

42. With regard to the second variable, declines in the value of the United States dollar vis-à-vis local currencies, the sensitivity analysis indicated that the effect would be modest, if allowance were made for offsetting increases in the United States dollar equivalent value of the assets held in local currency. The Consulting Actuary noted that, while the formal gain and loss analysis presented in the valuation report considered only the effect of deviations in currency exchange on the liabilities, there would be a partial offsetting effect on the asset values included in the asset gain and loss experience. This was taken into account in the sensitivity analysis.

43. For the third variable, inflation, the analysis indicated that actuarial gains were expected to occur over the next several years if inflation remains below the assumed rate of 5 per cent per annum. It was noted that if future inflation was at the rate of 3 per cent per annum, with no other sources of actuarial gain and loss, the resulting gain up to the next valuation would be approximately 0.7 per cent of pensionable remuneration.

44. The Consulting Actuary noted further that, while it was appropriate to examine the sensitivity to adverse developments in the three key variables, the possibility of beneficial developments should also be borne in mind. If the assets of the Fund were to continue to grow at a rate in excess of the rate assumed in the valuation (i.e., 8.5 per cent per annum), with inflation continuing to be moderate, the required contribution rate would continue to decline. In particular, the required contribution rate for current participants would fall much more rapidly than the overall rate. If the rate for current participants should fall substantially below the rate for new entrants, this could be taken as an indication of a need for corrective actions in the form of either benefit improvements or contribution reductions. Such a situation could arise over the next two valuations, if there was a continuation of strong investment returns.

45. The Rapporteur of the Committee of Actuaries and the Consulting Actuary stressed that while the sensitivity analysis assumed the variables were independent, in practice they were interrelated. Thus, an adverse deviation in one variable would most likely give rise to adverse changes in the other variables. However, even after allowing for the possibility of a synergistic effect, the sensitivity analysis indicated that it would require a significant change in market and economic conditions before the current surplus would be eliminated. Accordingly, they remained of the view that, provided a reserve was set aside to allow for adverse contingencies, a portion of the surplus could be made available to improve benefits and/or reduce contributions, should the Board decide to take that course.

46. All the constituent members of the Board stressed the need for prudence and adherence to General Assembly resolution 53/210 of 18 December 1998, in which the Assembly indicated that no changes should be made to the United Nations pension system until a pattern of surpluses had been established. The representatives of the General Assembly stated that priority should be given to a reduction in the rate of contribution of Member States, should a pattern of surpluses be realized.

Conclusion

47. **The Board took note with satisfaction of the improved financial condition of the Fund, as reflected in the valuation as at 31 December 1999. In its deliberations on possible changes in the pension system (see paras. 52-60**

below), the Board took into account the views of the Committee of Actuaries and the Consulting Actuary.

B. Measures considered consequent to the results of the actuarial valuation of the Fund as at 31 December 1999

Background

48. At its 1998 session the Board considered possible changes in the pension provisions related to: (a) the interest rates applicable to lump-sum commutations of periodic benefits; and (b) the method for determining cost-of-living adjustments of pensions in award, including adjustments of deferred retirement benefits not yet in payment. It reached two decisions (para. 49 below), which were made conditional on a "favourable actuarial valuation as at 31 December 1999". The Board also requested the CEO/Secretary, with the assistance of the Consulting Actuary, to undertake a review of all of the changes made in the pension system since 1983, as part of the measures approved by the General Assembly to address the past actuarial deficits, and to submit a report to the Standing Committee in 1999, together with the views of the Committee of Actuaries thereon. The Board had indicated its intention to consider in 2000 the views of the Standing Committee on other possible changes in the pension system, in the light of the results of the actuarial valuation of the Fund as at 31 December 1999.

49. The two conditional decisions taken by the Board and reported to the General Assembly in 1998 were: (a) to change the interest rate applicable to lump-sum commutations of periodic benefits from 6.5 per cent to 6 per cent, with respect to contributory service performed as from 1 January 2001;[2] and (b) to recommend to the General Assembly that the threshold for effecting cost-of-living adjustments of pensions in award be reduced from 3 per cent to 2 per cent, effective from the adjustment due on 1 April 2001.[3] As indicated in the preceding paragraph, both of these decisions were made subject to a favourable actuarial valuation as at 31 December 1999. The General Assembly in its resolution 53/210 took note of these two conditional decisions, which were "to be confirmed by the Board at its next session in 2000".

50. The General Assembly also took note of the Board's intention to review the changes that had been made in the pension system since 1983, and concurred with the Advisory Committee on Administrative and Budgetary Questions that "the Board should continue to monitor closely the evolution of the actuarial valuation of the Fund and that no attempt should be made to reduce the present rate of contributions to the Fund or change any other features unless and until a pattern of surpluses emerges in future valuations". The Assembly further requested the Board, "should there be a positive trend towards actuarial surpluses in future valuations, to consider favourably a reduction in the present contribution rate".

51. The preliminary study of the CEO/Secretary had been considered by the Committee of Actuaries and the Standing Committee in 1999. Based thereon, a further review was carried out in 2000 and reviewed by the Committee of Actuaries and the Board.

Discussions in the Board

52. During the discussion of the measures that might be taken in the light of the result of the valuation as at 31 December 1999, the representatives of the executive heads and of the governing bodies suggested that action on the two conditional decisions taken by the Board in 1998 should be determined in conjunction with the other possible changes suggested by the CEO/Secretary in his note on other possible measures that might be considered. That approach was opposed by the representatives of the participants, who stated that the results of the latest valuation were favourable and that, therefore, the two conditional decisions should be confirmed, without regard to any other decisions that might or might not be taken.

53. As regards other possible measures, the CEO/Secretary had suggested that, if changes were pursued, the Board should give priority to redressing those past economy measures that had made the United Nations pension system considerably less attractive for participants with at least five years of contributory service who (a) separate from service well before age 55, and/or (b) have the opportunity to re-enter the Fund in the future. The past economy measures had impacted most heavily on such participants. To redress partially that situation, the CEO/Secretary suggested that modifications might be made in the current provisions governing (a) the cost-of-living adjustments of deferred pensions; (b) the limitations placed on the right of restoration; and (c) the interest rate applied in calculating withdrawal settlements and in determining restoration payments.

54. The table below summarizes the actuarial costs of the five possible measures that were before the Board:

Measures	*Actuarial cost estimate (per cent of pensionable remuneration)*
(a) Lowering cost-of-living threshold to 2 per cent	0.15
(b) Lowering lump-sum commutation interest rate to 6 per cent	0.13
(c) Cost-of-living adjustments of deferred pensions from separation date, instead of from age 55	0.65
(d) Elimination of limitations on right of restoration	Not quantifiable
(e) Increasing withdrawal settlement interest rate to 5 per cent	0.11
Total	**1.04**

55. In its report to the Board, the Committee of Actuaries agreed that the three measures suggested by the CEO/Secretary, in addition to the two measures that the Board had already agreed upon conditionally, might all be given favourable consideration by the Board. The Committee had also noted the position taken by the General Assembly, in resolution 53/210, concerning the possibility of reducing the contribution rate (see para. 50 above). In that regard, the Committee recognized that the composition of proposed measures would be for the Board to determine and to present to the Assembly. The Committee stated that, whatever measures were to be adopted in the light of the results of the valuation, a reserve of 2.0 to 2.5 per cent of pensionable remuneration, from the 4.25 per cent surplus, should be set aside for future use.

56. **Following an extensive exchange of views in the Board and informal discussions among the three constituent groups, the Board decided to confirm the two conditional decisions taken in 1998: (a) to lower the interest rate for lump-sum commutations from 6.5 per cent to 6.0 per cent, with respect to contributory service as from 1 January 2001 (estimated actuarial cost of 0.13 per cent of pensionable remuneration); and (b) to recommend to the General Assembly that the threshold for cost-of-living adjustments for pensions in award be reduced from 3 per cent to 2 per cent, effective from the adjustments due on 1 April 2001 (estimated actuarial cost of 0.15 per cent of pensionable remuneration).**

57. **The Board also decided to establish a tripartite working group to undertake a fundamental review of the benefit provisions of the Fund, in the light of developments in staffing and remuneration policies in the member organizations of the Fund and in pension arrangements at the national and international levels, so as to identify the future long-term needs of the Fund. It decided further to refer to the Working Group the other possible measures that had been considered in the paper presented by the CEO/Secretary.**

58. The Working Group will be composed of two members designated by each of the three constituent groups on the Board and chaired by the Chairman of the Board; a representative of FAFICS will also participate in the work. The Working Group will be assisted by the Fund secretariat and the Consulting Actuary. The Group would submit its preliminary report to the Standing Committee in 2001. Taking into account the comments of the Standing Committee, the Group would submit its report to the Board in 2002.

59. The terms of reference of the Working Group, in the light of the basic principles underlying the United Nations Joint Staff Pension Fund, would be to:

(a) Assess the major developments to be taken into account in defining the future needs of the Fund;

(b) Examine the economy measures adopted since 1983 (summarized in JSPB/50/R.15, annex I), as well as any additional measures that may arise from the assessment referred to in (a) above;

(c) Make proposals to meet the future long-term needs of the Fund and its constituent groups.

60. **Accordingly, the General Assembly is requested to:**

(a) Take note of the decision of the Board, in accordance with article 11 (a) of the Regulations of the Fund, to lower the interest rate for lump-sum commutations of periodic benefits to 6 per cent per annum, with respect to contributory service as from 1 January 2001; and

(b) Revise the provisions of the UNJSPF pension adjustment system to change the threshold for cost-of-living adjustments of pensions in award to 2 per cent, as set out in annex XV to the present report.

C. Transfer agreement with the World Trade Organization and progress report on the development of a new agreement with the International Bank for Reconstruction and Development

World Trade Organization

61. The Board considered the proposed text of a transfer agreement with the World Trade Organization. The text had been negotiated by the Fund secretariat with the WTO (Trade) secretariat. The Board's approval was required before submission of the transfer agreement to the General Assembly for its concurrence under article 13 of the Regulations of the Fund.

62. The Fund has to date concluded transfer agreements with 14 international organizations and Governments, falling into two broad categories:

(a) *"Inner circle" agreements*, with two specialized agencies, the International Bank for Reconstruction and Development and the International Monetary Fund, and with one international organization that is not a specialized agency, the Inter-American Development Bank; they provide for recognition by the receiving party, on a one-to-one basis, of the participant's own contributory service, pensionable remuneration and contributions, upon transfer to the receiving pension plan of either 21 per cent of the participant's final average remuneration multiplied by the number of years of contributory service (IBRD and IMF) or three times the participant's own contributions (IDB);

(b) *"Outer circle" agreements*, with seven international organizations that are not specialized agencies and four Governments of Member States; they provide for the transfer of the actuarial equivalent value of a participant's accrued pension benefits, for which the participant receives certain contributory service or other pension credits in the receiving plan, according to the latter's provisions. (The application of the one-way outer circle agreements with the Governments of the former USSR, the Ukrainian SSR and the Byelorussian SSR have been suspended since 2 January 1992.)

63. The proposed agreement with WTO (Trade) was modelled very closely on the Fund's existing outer-circle agreement with the Organisation for Economic Cooperation and Development; it has been approved by the Management Board of the WTO (Trade) Pension Plan. The Committee of Actuaries expressed its concurrence with the proposed agreement.

64. **The Board approved the proposed transfer agreement with WTO (Trade), as set out in annex VII to the present report, and requests the concurrence of the General Assembly, in accordance with the requirement in article 13 of the Regulations of the Fund.**

World Bank

65. The Board was informed that discussions had commenced between UNJSPF and the World Bank, for negotiation of a new outer-circle transfer agreement. The earlier inner-circle agreement was terminated by the World Bank, effective 1 March 2000, as a consequence of its adoption of a new pension plan for staff joining as from 15 April 1998, with benefit provisions that were fundamentally different from those of UNJSPF.

66. **The Board noted that the Fund secretariat and the management of the World Bank pension plan had agreed on an interim procedure to be applied until the conclusion of a new transfer agreement, to protect the rights of current participants who will have transferred prior to the conclusion of the Fund's new transfer agreement with the World Bank. It covers: (a) staff transferring between the two pension plans before the new transfer agreement enters into force (they will be covered by the terms of the new transfer agreement, provided they received no pension benefits when they separated from service); and (b) staff who have remained as from 1 March 2000 either on leave without pay from a UNJSPF member organization or on external service without pay from the World Bank Group (they could still benefit from the provisions of the former Transfer Agreement between the Fund and the Bank, provided they otherwise met the conditions for eligibility).**

D. Membership of the Committee of Actuaries

67. The Committee of Actuaries consists of five members, one from each of the five geographical regions of the United Nations, appointed, in accordance with article 9 of the Regulations of the Fund, by the Secretary-General, on the recommendation of the Board. The current membership of the Committee is set out in annex XI to the present report.

68. Under the arrangements adopted by the Board in 1986 to alternate the membership of the Committee, the terms of two of the members are scheduled to expire on 31 December 2000:

Mr. A. O. Ogunshola (Nigeria) — Region I (African States);

Mr. L. J. Martin (United Kingdom) — Region V (Western European and other States).

69. **The Board decided to recommend, and the Secretary-General has approved, the reappointment of Mr. A. O. Ogunshola and Mr. L. J. Martin for three-year terms on the Committee of Actuaries from 1 January 2001 to 31 December 2003.**

IV. Investments of the Fund

A. Management of the investments

70. The Board reviewed the investments of the Fund on the basis of a report and accompanying statistical data presented by the representative of the Secretary-General for the investments of the Fund. The report described the economic and investment environment and the strategic and tactical methods followed in determining the investments and provided detailed information on the management of the investments of the Fund during the two-year period ending 31 March 2000. An addendum to the report provided updated information to 15 June 2000.

71. The present report highlights the most important aspects of the investment information provided to the Board. The separate report of the Secretary-General to

the Fifth Committee of the General Assembly on the investments of the Fund will provide further information (A/C.5/55/3).

Investment performance

72. **The market value of the assets of the Fund increased to $26,056 million as at 31 March 2000 from $20,170 million as at 31 March 1998, an increase of $5,886 million or 29.2 per cent. The total investment return was 11.3 per cent for the year ending 31 March 1999 and 18.0 per cent for the year ending 31 March 2000. After adjustment by the United States consumer price index (CPI), the "real" rates of return for the two years under review were 9.2 per cent and 13.8 per cent, respectively. These represented the seventeenth and eighteenth consecutive years in which the Fund had achieved positive returns.**

73. The rates of return were calculated by an outside consultant, using a generally accepted method for such calculations that had been fully disclosed to the Board at its thirty-fourth session. That method includes actual income received from dividends and interest, as well as realized capital gains and losses, and takes into account changes in the market value of the investments and the timing of cash flows.

74. The total returns for each of the past four years are shown below:

Total Fund: total returns based on market value for the years ending 31 March

	2000	*1999*	*1998*	*1997*
	(Percentage)			
Equities				
United States equities	17.4	18.4	45.5	18.9
Equities outside United States	40.0	9.7	15.4	7.2
Total equities	28.5	13.9	27.3	11.6
Bonds				
United States dollar bonds	3.2	4.8	10.6	6.2
Non-United States dollar bonds	-5.7	9.0	4.3	2.5
Total bonds	-2.5	6.5	7.0	3.6
Real estate	15.0	4.8	18.9	8.6
Short-term investments and reserves	6.8	9.9	7.0	4.4
Total Fund	**18.0**	**11.3**	**20.4**	**8.9**

75. The Secretary-General, acting on the recommendations of the Investments Committee, establishes asset allocation ranges to be used as guidelines during the year. These guidelines are reviewed by the Investments Committee at its regular meetings, and if necessary, the Committee recommends adjustments based on market conditions. Therefore, the composition of the portfolio reflects the judgement of the Investments Committee, the staff of the Investment Management Service and the investment advisers, based on the prevailing economic, market and currency trends. **All investments were reviewed and analysed by the staff and**

were required to meet the four criteria of safety, profitability, liquidity and convertibility, which had been endorsed by the Board and confirmed by the General Assembly.

76. The policy of broad diversification of investments by currency, types of asset classes and geographical areas continued to serve as the most reliable method of protection over long periods against the unpredictability and volatility of financial markets. Even within the same region, movements in markets and currencies tend not to be synchronized, and this had been especially true during the past two years.

77. The representative of the Secretary-General stressed that short-term investment results had little meaning for the Fund, in view of its long-term needs and investment objectives. The management of the Fund was geared to maintaining a careful balance between risk and reward expectations over the medium to long term, rather than taking risks inherent in seeking very high short-term results.

78. **During the two-year period under review, the allocation to equities was increased to 69.4 per cent from 66.2 per cent, bonds were reduced to 21.1 per cent from 25.5 per cent, real estate declined to 3.6 per cent from 4.6 per cent and short-term investments and reserves were increased to 5.9 per cent from 3.7 per cent.** The long-term strategy to increase the equity exposure was related to the changed global investment environment, which had led to increased investments by pension funds in equities, partly as a result of the issuance of fewer government debt instruments because of a growing movement towards balanced budgets and the increasing use by corporations of equity financing. In addition, equities have historically provided better returns than other asset classes.

79. For the year ending 31 March 1999, the highest return was provided by the equity portfolio, which had a total return of 13.9 per cent, followed by short-term investments with 9.9 per cent. For the year ending 31 March 2000, the equity portfolio again provided the highest total return of 28.5 per cent, followed by real estate with 15.0 per cent; the bond portfolio had a negative return of 2.5 per cent. United States equities outperformed non-United States equities in 1997, 1998 and 1999, while United States bonds outperformed non-United States bonds in 1997, 1998 and 2000.

80. The selection of securities had a positive impact on the total return, particularly stock selection in Japan and Europe. The performance was negatively affected by bonds, which had a much lower return than equities for the year ending 31 March 1999 and a negative return for the year ending 31 March 2000. The adverse impact of the persistent decline of the euro since its introduction in January 1999 was offset, to some extent, by the steady appreciation of the Japanese yen against the United States dollar since August 1998. The exposure to United States equities contributed more to the total return than any other asset class held by the Fund. The contribution of equities outside the United States to the overall performance was especially significant for the year ending 31 March 2000. As an asset class, real estate was the second largest contributor to performance.

81. Over the long term, equities have continued to outperform other asset classes. Within the equity portfolio, United States equities have performed marginally better than equities outside the United States over the 40-year period taken as a whole. This historical trend provided the rationale for the increased equity weighting in the

portfolio. During the same period, United States equities outperformed equities outside the United States in 25 of those years.

82. During the 26 years that the bond performance has been assessed, the annualized returns on United States dollar bonds and on non-dollar bonds were mixed. Real estate-related investments, which have been included in the portfolio since 1972, have provided stable returns; during that period real estate had negative returns in only three years.

83. **The cumulative annualized total returns for the last 5, 10, 15, 20 and 25 years were approximately 14.6, 12.3, 13.4, 13.2 and 11.9 per cent, respectively. The cumulative annualized total rate of return over the 40-year period for which data are available was 9.3 per cent, representing a yearly "real" rate of return of 4.6 per cent, after adjustment by the United States CPI.**

Comparisons of investment returns

84. The Fund continued to be the most widely diversified pension fund that maintained its accounts in United States dollars but had liabilities in many other currencies. Comparisons of the performance of any fund with those of other funds can be misleading as methods of calculating returns vary and other factors need to be taken into consideration. **While it was not possible to find a pension fund portfolio sufficiently similar to the Fund's against which investment returns might be compared, a strategic benchmark for the Fund had been introduced on 1 January 1997. That benchmark consists of two major indexes commonly used in the financial world to compare returns of equities and bonds: the Morgan Stanley Capital International World Index and the Salomon Brothers World Government Bond Index. The Investments Committee, after carefully reviewing several proposals, had approved a benchmark composed of 60 per cent Morgan Stanley Index and 40 per cent Salomon Brothers Index.**

85. **During the year ending 31 March 1999, the Fund slightly underperformed its benchmark, 11.3 per cent versus 11.8 per cent. For the year ending 31 March 2000, the Fund strongly outperformed the benchmark, with a return of 18.0 per cent versus 12.8 per cent. Over the last 20 years, the benchmark had a total return of 13.7 per cent, compared to an annualized return of 13.2 per cent achieved by the total Fund. The main reason for this slight underperformance was the low weighting for equities in the Fund portfolio during the earlier years.**

86. Over the past 20 years, the Morgan Stanley Index had a total annualized return of 15.3 per cent, compared to an annualized return of 15.1 per cent achieved by the Fund's total equities. During the same period, the Salomon Brothers Index had an annualized return of 10.7 per cent, compared to an annualized return of 11.1 per cent achieved by the Fund's bond portfolio.

87. **Compared to the benchmark, the Fund has had a better risk/return profile. The Fund's return of 13.7 per cent was slightly lower than the benchmark's return of 14.4 per cent; however, the Fund's volatility, 10.5 per cent, was substantially less than that of the benchmark, 13.4 per cent. The Fund has a better risk/return profile because of its well diversified portfolio, which includes all the major asset classes and a heavy concentration of holdings in blue-chip companies.**

88. Within asset classes, the Fund's equity portfolio slightly underperformed the Morgan Stanley Index, 16.0 per cent versus 16.4 per cent; however, the equity portfolio had a much better risk profile than that of the Morgan Stanley Index, 15.0 per cent versus 16.7 per cent. The bond portfolio outperformed the Salomon Brothers Index, 11.5 per cent versus 11.2 per cent, but had slightly higher volatility than the Salomon Brothers Index, 11.9 per cent versus 11.2 per cent. The higher volatility was attributable to the Fund's exposure to non-government bonds, which are not part of the Salomon Brothers Index.

Geographic and currency diversification

89. **The Fund continues to be unique among major pension funds in its commitment to global investment. The diversification policy of the Fund has served to reduce risk across asset classes, currencies and markets. As at 31 March 2000, funds were invested in 49 countries, including direct investments in 22 developing countries, and were in 25 different currencies. The proportion of the Fund invested in North America rose to 49 per cent in March 2000 from 46 per cent in March 1998. Investments in Europe decreased to 32 per cent from 36 per cent, while in Asia and the Pacific, the proportion of investments rose slightly to 15 per cent from 13 per cent during the same period.**

90. **As regards currencies, at the end of the two-year period under review, $12,572.5 million, or 48.25 per cent of the Fund's investments, was in currencies other than the United States dollar. The proportion of investments in North American currencies had increased slightly to 54.7 per cent from 54 per cent, while that in European currencies was increased to 30.9 per cent from 30 per cent, and in Asian currencies to 14 per cent from 11 per cent.**

91. In keeping with General Assembly resolution 36/119 of 10 December 1981, the management of the investments of the Fund has continued its efforts to identify appropriate investment opportunities in developing countries and has continued to apply to all its investments the established criteria of safety, profitability, convertibility and liquidity. Direct and indirect investments in developing countries amounted to $1,218,877 thousand at cost on 31 March 2000, a decrease of 27 per cent since 31 March 1998. The decrease was mostly attributable to redemption of bonds, which matured or were called during the period. Development-related investments accounted for approximately 8 per cent of the assets of the Fund at book value; about 38.1 per cent of these holdings were denominated in currencies other than the United States dollar.

92. During the period under review, the Secretary-General, through the Investment Management Service, continued to maintain contacts with multilateral international and regional institutions, as well as other sources, to take advantage of investment opportunities in developing countries. Visits were undertaken to a number of countries.

Discussions in the Board

93. At the outset, Board members expressed appreciation for the excellent performance of the Fund's investments during the biennium, for the monthly update reports provided on the market value of the investments and the asset allocations, and for the information provided on the strategy and investment guidelines recommended by the Investments Committee following its quarterly meetings.

94. During the discussion on the investment performance, members of the Board posed a wide range of questions to the representative of the Secretary-General and to the Chairman and other members of the Investments Committee. These questions related, inter alia, to the proportion of the Fund's assets in equities and whether there was a limit to investments in equities; the policy regarding the application of ethical and human rights considerations in selecting securities for investment; the extent of development-related investments; the reporting of profits and losses in the sales of securities; the unrealized profits in some of the large holdings in certain companies; the possibility of performance comparisons with other pension funds; forecasting of future performance of the markets and of the Fund's investments; the risk/return profile of the Fund; and assessments of the performance of the Fund's holdings in local currencies vis-à-vis local market indices.

95. As regards the high exposure to equities, the Fund had increased its exposure to equities because, in addition to the historically higher returns provided by equities, the investment environment had changed considerably in the past 10 years. Many countries had budget surpluses, so that Governments were borrowing less, resulting in fewer opportunities to invest in bonds. Also, privatization of public services was providing new opportunities for investment in many countries.

96. On ethical considerations in making investments, the Chairman of the Investments Committee indicated that investment decisions took into account guidelines or restrictions set out in resolutions of the General Assembly.

97. As to what constituted "development-related investments", the Chairman and other members of the Investments Committee indicated that the Fund invested in markets and companies, and not in development projects as such. It was emphasized that the long-term investment objectives of the Fund were, first, to preserve the principal in real terms and, secondly, to obtain an optimal investment return that avoided undue risk. With respect to the observation that there was a need to broaden the geographical base of the investments, particularly in developing countries in Africa, Asia and Latin America, the Chairman of the Investments Committee explained that appropriate investment opportunities in developing countries were constantly sought, taking into consideration resolutions of the General Assembly and the established investment criteria. Previously the Fund had invested mostly in bonds of international development banks; however, the opportunities for investing directly in securities listed in the stock markets of a number of countries had improved. It was also noted that in many developing countries, such markets were either non-existent or relatively small for investments of a fund as large as the UNJSPF. The outlook for emerging markets had improved and the Fund was therefore increasing its exposure in these markets.

98. With respect to the reporting of profits and losses in sales of assets of the Fund, it was explained that the details of such transactions by asset class were set out in schedule 2 of the financial statements of the Fund (see annex II.B) and that such information would be provided in future reports on the management of the investments.

99. With regard to performance comparisons with other pension funds, the difficulties of finding appropriate comparators were explained: the Fund was unique among pension funds, with its accounts maintained in United States dollars and with its extensive liabilities in a number of other currencies; other pension funds, which were of similar size, had liabilities in one currency only.

100. As to the likely future performance of the markets and the Fund over the next 10 years, this was both difficult to predict and impossible to control. However, the Investments Committee reviews developments in the economic and financial markets at each of its quarterly meetings and assesses likely short-term and longer-term possibilities in determining its recommendations as to guidelines for the asset allocations of the Fund. While some volatility and even negative performance might occur, the current environment also provided some optimism for the future.

101. Concerning the risk/return profile provided to the Board, it was noted that risk was a function of the variance and covariance of the returns of the Fund's investment components. The Fund had a better risk/return profile under both the asset components and the overall benchmark comparisons, mainly owing to the fact that the Fund's asset components were less volatile. The Fund was concentrated in high-quality companies, which had provided steady returns over the years. The investments in real estate and short-term investments were not part of the benchmark. As to whether it was possible to provide risk analysis for very short periods, such as three or six months, it was explained that risk analysis was more meaningful for longer periods. Moreover, risk determinations were based on the variability of the total return, rather than on variations of the market value of the Fund. The market value could fluctuate very widely in a given period, but this might have no effect on the return of the Fund. Lastly, the returns were calculated from data in a given period, whereas the market value often changed on a daily basis; at the end of a period the market value could return to the level attained at the beginning of the period.

102. With regard to providing an assessment of the investment performance of the Fund's holdings in local currency, including a comparison with local market indices, the representative of the Secretary-General indicated that that information was always available for internal use by the Investment Management Service and that such information would be included in future reports. It was also pointed out that while the investment performance of each security was evaluated on the basis of the local currency, the impact of currency fluctuations against the base currency was very important. The general expectation was that the price increases in local currency would outweigh any negative base currency impact.

Conclusion

103. **The Board expressed its appreciation to the representative of the Secretary-General, to the Chairman and the members of the Investments Committee, and to the staff of the Investments Management Service and the investment advisers for the excellent performance of the Fund's investments. The Board also thanked the Chairman and the members of the Investments Committee for the services they were rendering to the Fund and for the open and comprehensive exchange of views during the joint meeting.**

B. Membership of the Investments Committee

104. **The Secretary-General, in accordance with article 20 of the Regulations of the Fund, conveyed to the Board the names of three members of the Investments Committee, Mr. Ahmed Abdullatif, Mr. Fernando Chico Pardo and Mr. J. Y Pillay, which he intended to propose to the General Assembly at**

its fifty-fifth session, after consultation with the Advisory Committee on Administrative and Budgetary Questions. Those members would all be reappointed for further terms of three years, commencing on 1 January 2001. Mr. Emilio Cardenas, Mr. Frigyes Harshegyi and Mrs. Helene Ploix were appointed to serve as ad hoc members in 2000.

V. Financial statements of the Fund and report of the Board of Auditors

105. **The Board examined and approved the financial statements and related data on the operations of the Fund for the year ended 31 December 1999, submitted by the Secretary for inclusion in the report of the Board to the General Assembly and to the member organizations.**

106. Several members of the Board requested clarifications on the information contained in schedule 6 of the financial statements on the foreign tax accounts receivable. It was explained that the timing for the refunds of taxes applied to the investments of the Fund differed according to the practices in the individual Member States concerned. With regard to investments in countries that had not accepted the tax-exempt status of the investments of the Fund, it was recalled that the Board had taken the position in 1990 that investments should not be made in such countries. Soon thereafter the Fund had divested its investments in those countries; it does not now invest in countries which do not recognize the tax-exempt status of the investments of the Fund. A number of Member States that had not previously done so have now recognized the Fund's tax-exempt status; however, the Fund has not yet been able to obtain refunds for the taxes withheld in prior years. The Board noted that efforts had been taken to recover such withheld taxes.

107. The Board considered the findings and recommendations contained in the report of the Board of Auditors (annex III), and its observations thereon are set out below.

108. On the question of whether a penalty clause could be included in future agreements with the Master Record Keeper in order to ensure timely delivery of the relevant accounting and financial reports (annex III, paras. 30-34), the Board was informed that a new Master Record Keeper had recently been selected and that, based on expert advice received, it would now be difficult to include a penalty clause in the contract already negotiated.

109. As regards the observation of the Board of Auditors that the Investment Management Service (IMS) should replace its Investment Control and Accounting System (INCAS), which was not Y2K compliant, as a matter of urgency (ibid., paras. 39-42), it was explained that this system provided investment accounting data for the preparation of the financial statements; it had no effect on the management of investments, which was provided by a separate portfolio management system. The Pension Board expressed concern that the new accounting arrangements, which would be provided by the new Master Record Keeper, were not yet fully functional.

110. As to the observation of the Board of Auditors that there had been insufficient lead time for the new Lawson accounting system to be implemented and tested (ibid., paras. 44-47), the Board noted that the short lead time available to the Fund secretariat to introduce the new system was attributable to the fact that resources for

the project had been approved only at the end of 1998; moreover, initial problems and other difficulties were not uncommon when new systems were being developed and implemented.

111. Several queries were raised with regard to the comments of the Board of Auditors on the Fund's reliance over an extended period on the use of two consultants, rather than staff members, to meet computer operation needs and on the fees paid (ibid., paras. 54-56). The CEO/Secretary explained that the fees were based on the standards for electronic data processing and that, with respect to one of the consultants, extensive efforts had been made over a period of more than three years to find qualified personnel to fill the post in the Fund secretariat, without success; however, the post has now been filled.

112. The Board noted the explanations provided and recognized that the continued use of the two systems consultants was critical to the development of new computer systems, to the Y2K compliance reviews and requisite changes, and to the transfer of the mainframe operations of the Fund to the International Computing Centre (ICC) in Geneva. The Board noted that every effort had been made to limit the costs of the consultancies.

113. **In conclusion, the Board noted with satisfaction that the Board of Auditors had indicated that the Fund's management had:**

(a) Generally complied with the requirements set out in General Assembly resolution 52/212 B of 31 March 1998 for improving implementation of recommendations of the Board of Auditors that had received the approval of the General Assembly;

(b) Taken action to implement the recommendations made in its report for the biennium ended 31 December 1995 and confirmed that there were no outstanding matters;

(c) Taken action and provided comments on the recommendations made in its report for the biennium ended 31 December 1997, as set out in the annex to its current report;

(d) Provided financial statements which presented fairly, in all material respects, the financial position at 31 December 1999, and that the operations and cash flows for the period were in accordance with the stated accounting policies of the Fund, and were applied on a basis consistent with that of the preceding financial period.

Internal audits

114. The Board also considered a summary report on the internal audits of the operations of the Fund during the period from 1 May 1998 to 30 April 2000. Pursuant to a recommendation made by the Board of Auditors in 1994, which was subsequently endorsed by the Board and approved by the General Assembly in its resolution 49/224 of 27 December 1994, the Office of Internal Oversight Services assumed responsibility for providing ongoing internal audit coverage of the Fund, effective 1 September 1996. To carry out that responsibility, OIOS has established a "UNJSPF Audit Unit" within its Audit Management and Consulting Division, which currently consists of two auditors and one audit clerk.

115. The CEO/Secretary informed the Board that the scope and quality of the observations and recommendations of the internal auditing by OIOS reflected the steadily increasing knowledge and familiarity of the UNJSPF Audit Unit with the complex operations of the Fund. The management of the Fund had found the audit observations to be helpful, with the recommendations having either already been implemented or being pursued in consultation with the auditors. The CEO/Secretary expressed the view that the internal audit function for the Fund should continue to be assigned to OIOS.

116. **The Board took note of the summary report on the internal audits of the Fund. It also noted that the current audit arrangements would be examined further next year, when the Standing Committee considers the Fund's budget proposals for the biennium 2002-2003.**

VI. Longer-term administrative arrangements of the Fund

A. Introduction

117. At its session in 1996, the Board had requested the Secretary to prepare a concept paper on the administrative arrangements between the Fund and the United Nations and with the other member organizations of the Fund, together with an analysis of their adequacy for operations of the Fund over the next 10 years or longer. On the recommendation of the Board, the General Assembly approved, in section V of its resolution 53/210 of 18 December 1998, revised United Nations/UNJSPF cost-sharing arrangements. The Assembly also noted that the Board intended to consider other possible long-term arrangements for the allocation of the costs of the operations of the Fund, as between those to be charged against the assets of the Fund and those to be shared by its member organizations.

118. In 1999, the Standing Committee addressed three priority issues, in the context of the proposed budget of the Fund for the biennium 2000-2001: (a) the Fund's computer systems and operations; (b) the enhancement of the role of the Geneva office of the Fund; and (c) the need for additional office space. It also reached consensus conclusions on the budget proposals put forward by the CEO/Secretary. As regards the requests for new posts, the Standing Committee stated that a better framework was needed for assessing administrative requirements over the next three to five years and recommended that the CEO/Secretary should provide a strategic plan to the Board at its next session which would address the inside and outside factors affecting the Fund's operations, together with an indication of the objectives and how they could be achieved, including timelines and milestones; further work was also requested as regards information technology and process re-engineering. The Standing Committee also requested that a clear framework should be developed for the transfer of functions and the redeployment of posts from New York to Geneva.

119. The Advisory Committee on Administrative and Budgetary Questions agreed with the proposals and requests made by the Standing Committee; it also indicated that, before any further redeployments were made from New York to Geneva, a qualitative and quantitative analysis should be made of the cost-effectiveness of such transfers and staff redeployments (A/54/7/Add.1, paras. 14 and 15).

120. With respect to office space in New York and Geneva, ACABQ requested that the growth in rental charges should be monitored and other options explored, with a view to determining the best long-term solution.

121. On the efforts to obtain broader delegations of authority for the CEO of the Fund in the areas of personnel and procurement decisions, ACABQ noted the arrangements under which decisions on procurement matters would be taken by the CEO; it also noted that similar arrangements were being pursued with respect to personnel issues of the Fund secretariat. The Advisory Committee also expressed the view that delegation of authority should be based on the need to recognize the special status of the CEO of the Fund vis-à-vis the Secretariat of the United Nations and the member organizations of the Fund (A/54/7/Add.1, paras. 19 and 20).

B. Strategic plan for the operations of the Fund

Computer systems, process re-engineering and technological improvements

122. In an effort to address the various concerns of the constituent groups in the Board and to respond to the conclusions reached by the Standing Committee with regard to process re-engineering and information technology, the CEO/Secretary retained the services of two consultancy firms. The mandate of the first consultant was to assess the essential long-term technological needs of the Fund; the second consultant reviewed those needs and addressed the modalities for meeting them.

123. A dual approach was taken to the "needs" analysis, in order to consider both macro- and micro- levels of the operations of the Fund. The Fund secretariat examined the micro level, identifying areas affording opportunities for shorter-term productivity improvements, which could be pursued with little or no immediate need for additional resources. The first consultant undertook a macro-level study of the technological areas, examining longer-term needs and assessing ways the Fund might maximize cost-effectiveness. The second consultant identified the technological changes and computing requirements for realizing the longer-term opportunities, including an analysis of possibilities for the redesign of processes to align work requirements closely with the technology supporting the operational improvements.

124. The secretariat staff provided ideas and suggestions for achieving greater efficiencies, which for the most part highlighted the need for better interfacing in the following broad areas: (a) an electronic interface between the United Nations Integrated Management Information System (IMIS) and the computer systems of the Fund; (b) direct electronic links between the other member organizations and the Fund; and (c) direct electronic access to certain Fund information by organizations, participants and beneficiaries.

125. The other measures identified by the staff as leading to productivity gains included: (a) automation of the monthly issuances of "participation and benefit processing status reports" to the member organizations; (b) further computerization of those types of work that were still being processed manually; (c) updating the UNJSPF Administration Manual and facilitating its use through electronic accessibility; (d) greater efforts to improve understanding of pension processing requirements and responsibilities on the part of the administrative staff of the member organizations and their country offices; (e) streamlining of the telebanking

arrangements with the Geneva office; (f) standardizing responses to the ever increasing number of enquiries on the operations of the two-track pension adjustment system; (g) providing participants with the means to obtain benefit estimates through the United Nations Intranet; (h) enhancing banking arrangements; (i) converting the old microfiche system into a CD-ROM filing system; and (j) enhancing the end-of-year Participants' Reconciliation Exception reports.

126. The first consultancy study, which was carried out by a firm specializing in strategic planning and process re-engineering, began with the thorough review of the recommendations and actions taken with respect to the major consultancy study undertaken in 1989 of the administrative and operational capacity of the Fund. It confirmed that, up to 1997, significant productivity improvements had resulted from the implementation of the changes that had been recommended. However, transaction volume had continued to increase at a higher rate than could be accommodated within the existing infrastructure and technology. The timeliness of benefit processing had therefore been adversely affected. As a result, the day-to-day workload pressures made it increasingly difficult to shift resources to undertake the improvements identified by the staff.

127. **To reverse this trend, the first consultant recommended greater reliance on facilitating the exchange of information between the Fund and its member organizations. In particular, it was noted that automated exchanges of personnel action data would provide the most noticeable improvement in the quantity and quality of transactions processed. Major efficiencies could be gained through electronic exchanges of information between the Fund and its member organizations, as well as with participants and beneficiaries. The current process was far too paper-intensive, considering that the bulk of the data received in hard copy was also available in digitized form. As the information/data required to effect pension determinations had been entered into the databases of the employing organizations, there was no reason to produce printed hard copies for submission to the Fund; the data could be transferred in digitized form, which would permit rapid electronic updates of the data utilized by the Fund in discharging its responsibilities.**

128. **The findings and conclusions of the first consultant were presented to a number of representatives of the administrations, participants and retirees of the United Nations and of some other member organizations, both in Geneva and in New York. The presentations were well received. It was also generally acknowledged by the administration representatives that improved communication through the Internet/Intranet was a credible and readily available alternative.**

129. **The second consultancy study, which was carried out by a firm that specializes in the evaluation of information technology, focused on: (a) analysing the strategic direction of the Fund, in the light of the conclusions of the re-engineering study; (b) recommending information technology and other solutions to effect improvements in the operations of the Fund and in its responsiveness to those it served; (c) relating the recommendations on strategic direction to industry trends; (d) addressing the organizational structure requirements in respect of the Information Management Services Section of the Fund secretariat; and (e) defining time frames for short-term initiatives using**

existing resources and for determining longer-term tasks and the resources related thereto.

130. The second team of consultants confirmed that the process re-engineering direction recommended by the first consultant was appropriate and that the electronic sharing of information would provide the best opportunity for productivity gains. As for the Fund's computing operations, they indicated that the Fund's use of mainframe technology, complemented by the introduction of client server-based systems, provided a solid foundation for discharging the Fund's operations. In their view, the Fund had an optimally configured computing infrastructure, which leveraged a variety of technologies, each serving a specific purpose. Therefore, the Fund was no longer a mainframe-oriented operation: different technologies were employed to handle benefit processing, workflow and financial transaction processing, which has created the synergy needed to provide maximum efficiencies.

131. With regard to the long-term computing strategy of the Fund, the second study stated that:

> **"UNJSPF core application systems contain a wealth of information useful to both the UNJSPF and its customers: agency local contacts, local entities' resident representatives, participants and beneficiaries. Currently, external entities cannot view the data other than through the annual scheduled mass correspondences (i.e. participant annual statements and beneficiary cost-of-living adjustments) or ad hoc requests that must be handled by a UNJSPF staff representative via telephone or mail correspondence. Allowing local contacts and regional representatives access to the data, via the Web and an operational data store, can greatly ease the UNJSPF staff workload."**

132. The study also reviewed possible common service opportunities between the Investment Management Service and the operational and administrative parts of UNJSPF. The consultant concluded that it would appear prudent to examine possible advantages to having the Investment Management Service and the operational/administrative part of UNJSPF merge their accounting functions onto the Fund's newly installed Lawson system.

133. As to the organizational structure of the Fund's Information Management Systems Section and, in particular, its capacity to accommodate the changes envisioned over the longer term, the consultant stated:

> **"The UNJSPF Information Management Systems Section (IMSS) must be prepared for the additional complexities and specific challenges presented by the implementation of the (additional) technologies and services. As such, IMSS must begin to tool itself and its staff for the undertaking. A wealth of knowledge already exists in the current IMSS organization with regard to the business functions and requirements as a result of previous implementations of PENSYS, OBIS and Lawson. We recommend that the project teams formed to develop and implement these new technologies be leveraged with these valuable resources as analysts, programmers and co-project managers. With the implementation of the suggested Web-enabled technologies, one must also recognize that those individuals who were once considered to be entities external to the enterprise (i.e., agency local**

contacts and regional representatives) will now become partners with the enterprise. Therefore, IMSS will have additional responsibilities to them. The current state of this increase in the IMSS "client" base, as well as the increase in technology complexities, have highlighted the need for increases in IMSS staff going forward."

134. **In summary, the second consultancy firm recommended that the Fund should pursue a long-term technology strategy that would leverage its existing investment in technology and the associated knowledge base (PENSYS, OBIS, Lawson, ICC, IBM), so that it could share information with its member organizations, participants and beneficiaries through modern technology (Internet, networks and groupware). To accomplish these objectives, the Fund must create automated interfaces to external systems, make data available over the World Wide Web with the appropriate security in place and create the infrastructure to permit this data-sharing. The Information Management Systems Section would have to be organized to enter into this new paradigm.**

135. **The consultancy firm recommended that this project should be divided into two phases, given the significant effort required to achieve the implementation of the proposed initiatives and the relatively limited resources available: Phase I, the short-term initiatives, would consist of strategic planning, project planning, functional requirements, and request for proposal (RFP) development. The activities and tasks, when completed, would provide the "blueprint" for the specific technology to be used for the automation of pension information and transactions, including reporting and security requirements. The "blueprint" would address, inter alia, Web-based reporting modules; Web-based benefit estimates; data collection and system updates; online workflow; pension communication systems; and Web page enhancements.**

136. Upon the completion of phase I, there would be a better understanding of the costs of the project and a clearer indication of the potential productivity improvements achievable through the full implementation of the project. These findings would be presented to the Standing Committee in 2001 as part of the proposed programme budget for the biennium 2002-2003 and would address implementation time frames, staffing requirements, project costs and office space needs.

137. Phase II, the longer-term initiatives, would involve the actual implementation of the strategic initiatives and would include the development of United Nations/IMIS interfaces to PENSYS (and similar arrangements for the other member organizations); infrastructure development and enhancements; additional PENSYS interfaces, Web data collection, cleansing and standardization; development of the interfaces and architecture required for storage of consolidated data; and development of the Web applications necessary to view the consolidated data in a secure environment. The order and scope of phase II would be determined after the completion of phase I.

138. **The CEO/Secretary estimated that the resources necessary to support phase I of the project would amount to $980,000, at 2000 rates, consisting of $700,000 for contractual services, which would include: (a) $250,000 for the services of a consultant to address issues related to the dissemination of information over the World Wide Web; (b) $250,000 for a consultant who**

would serve as a liaison or relationship manager with the staff of the Information Management Systems Section and with their counterparts in the United Nations and in the other member organizations selected to participate in phase I of the project; (c) $100,000 for the services of a Web-technology programmer, and (d) $100,000 for the services of a telecommunications consultant with experience in the integration of Web technologies. The remaining resource requirements would consist of: (a) $200,000 for hardware and software systems; (b) $20,000 for travel costs; (c) $50,000 for Internet fees; and (d) $10,000 for supplies.

139. **Taking into account the one-third/two-thirds cost-sharing formula between the United Nations and the Fund and the $269,700 approved as general temporary assistance funding for the biennium 2000-2001 but deferred for use in the "re-engineering process", the net costs to the Fund and to the United Nations were estimated at $480,000 and $230,300, respectively.**

Discussions in the Board

140. The representatives of the executive heads indicated that they were generally in agreement with, and supportive of, the CEO/Secretary's conclusions as regards phase I of the computer project. They also welcomed the re-engineering objectives, while indicating that further strategic planning was required in respect of phase II of the project. This would provide an opportunity for the new CEO/Secretary to contribute his/her views on the project to the Standing Committee in 2001, in the context of the presentation of budget proposals for the 2002-2003 biennium.

141. With regard to phase II, the representatives of the executive heads stated that the milestones and overall costs and benefits should be elaborated in detail, since it was important that the Standing Committee should be apprised of the complete picture before the Fund secretariat embarked on the totality of the project. In addition, they requested that priorities should be established as regards the various objectives and tasks.

142. With respect to the proposed revised budget estimates for the biennium 2000-2001 linked to phase I, the representatives of the executive heads noted that the resources requested ($470,000) were approximately 0.6 per cent of the total budget of the Fund for the current biennium, including the resources required for investment costs. In the absence of information on the budget implementation as of the time of the Board session, especially as regards the expenditure for contractual services, the representatives expressed the view that the CEO/Secretary should find ways and means of accommodating the phase I expenditures within the totality of resources already approved for the Fund, and that a report should be submitted to the Standing Committee in 2001 detailing the expenditures incurred in implementing phase I and the extent to which additional resources might be required.

143. The representatives of the governing bodies supported the position taken by the representatives of the executive heads. They stated that the re-engineering plan was useful and represented an excellent step in the right direction. They also encouraged the CEO/Secretary in implementing phase I to prioritize the initiatives within the existing resources available to the Fund and requested that information be provided to the Standing Committee on further strategic planning.

144. The representatives of the participants expressed their support for the initiatives presented and requested that additional information be provided to the Standing Committee in 2001 on the progress made.

145. The CEO/Secretary stressed that it was imperative for the Fund and its member organizations to modernize the way in which information was obtained and disseminated. He stressed that an investment in the use of the latest state-of-the-art technology for obtaining and disseminating information was essential to the effective functioning of the Fund in the years ahead. This would require a commitment by the member organizations to participate and support the efforts, both financially and administratively.

Conclusion

146. **The Board requested the CEO/Secretary to proceed with implementation of phase I of the project, within existing resources to the extent possible. The need for additional resources for the biennium 2000-2001 would be reassessed by the Standing Committee at its meeting in 2001.**

C. Enhancement of the role of the office of the Fund in Geneva

Background

147. Under the policy initiated in 1990, the role of the Geneva office had been gradually enhanced to include the processing of benefits for Fund participants of the United Nations Office at Geneva, UNHCR, ITC, UNOCHA (local), UNCTAD, ICITO/GATT, WMO, WIPO, ITU, WTO (Tourism), ICCROM, ICGEB, EPPO and the Geneva-based participants of ILO and WHO. In 1999, the Standing Committee approved the proposals of the CEO/Secretary for further enhancement by extending the scope of the activities of the Geneva office to include local pension secretariat services, benefit determinations and payments to additional United Nations entities, as well as to other member organizations with staff located in Europe, Africa and the Middle East, to take advantage of geographical proximity and time zones, language commonality and familiarity with national practices, banking arrangements, regulations and laws in Europe.

Recent developments

148. **As from 1 April 2000, the office in Geneva also handles the processing and payment of benefits for WHO, IAEA, UNIDO, IMO, IFAD and ITLOS, and for a number of United Nations entities: ECA, UNEP, UNCHS, UNRWA, the United Nations Office at Nairobi, the United Nations Office at Vienna, ESCWA and ICJ. This increased its coverage of participants from 8,007 in 1999 to some 23,347. In order to provide momentum to the enhancement project, the phasing out from New York and the phasing in to Geneva was carried out over a relatively short period of five months. Since part of the additional budgetary resources were related to the redeployment of existing posts from New York, the process began in November 1999 and was completed by 1 April 2000.**

149. Based on the experience acquired during the current biennium, the intention for the biennium 2002-2003 would be to assign to the Geneva office the processing and payment of benefits for all participants in FAO, UNESCO, ILO and possibly

some other member organizations, taking into account the number of participants involved and their geographic dispersion.

150. As indicated in paragraph 119 above, ACABQ requested greater transparency in the presentation of the staff and non-staff costs for the Geneva office and the benefits of the transfer of functions from New York to Geneva. The CEO/Secretary provided the Board with information on the portion of the approved Fund budget relating to the Geneva office as well as preliminary information on the work and staff redeployments between November 1999 and May 2000. He also indicated that it was clearly too early to make a cost-effectiveness study. As regards comparisons of staff costs and of some other costs, the results would vary over time because of exchange rate relationships between the United States dollar and the Swiss franc. More significantly, any cost-effectiveness study in respect of a worldwide pension operation, such as that of UNJSPF, must also be assessed in the context of the quality and timeliness of the services provided to the widely dispersed offices of the member organizations of the Fund and the participants they employed, as well as the even wider dispersal of the beneficiaries around the world. The CEO/Secretary reiterated his conviction that the quality of the services provided by the Fund secretariat would improve as the project of enhancing the role of the Geneva office continued. More detailed information related to cost-effectiveness and cost comparison would be provided to the Standing Committee in 2001, in the context of the budget estimates for the biennium 2002-2003.

D. Delegation of personnel and procurement decisions to the Fund

151. Following the meeting of the Standing Committee in July 1999, agreement was reached with the United Nations Administration with regard to the procedures to be utilized for direct procurement of contractual services or of equipment/supplies, up to an amount of $25,000. A written agreement was drawn up with the Procurement Division and a general procedure was promulgated for staff guidance.

152. Agreement was also reached with the United Nations Administration in June 2000 with regard to the personnel policies and procedures for the Fund secretariat. A Memorandum of Understanding was concluded by the CEO/Secretary and the United Nations Administration, providing guidance as to the procedures and policies for the appointment and promotion of staff of the secretariat of the Fund, the conditions of service of Fund staff, the employment of consultants, gratis personnel and retirees, reporting arrangements and the services provided by the United Nations Administration. The CEO/Secretary would receive recommendations directly from the United Nations appointment and promotion bodies, would consult as necessary with the United Nations Administration and, should there be no agreement on the candidacy or promotion in question, the CEO/Secretary would have the authority to appoint/promote staff under a contract limited to service with UNJSPF.

153. It was also agreed that, in view of the inter-agency status of UNJSPF, the staff of the Fund would not be included in the various United Nations/Office of Human Resources Management reports to the General Assembly, or in other reports by the United Nations Secretariat. UNJSPF would also be exempt from Secretariat policies that were applied as a result of short-term funding difficulties of the Organization.

E. Office space for the Fund in New York and Geneva

154. The Secretary/CEO informed the Board that there had been no further developments with regard to the issue of office space. The space in Geneva was sufficient to accommodate some growth. However, the situation in New York continued to be of concern: there had been no further developments with regard to additional space on the 5th and 6th floors of the United Nations Secretariat building. Efforts would continue towards securing additional space and a report thereon would be submitted to the Standing Committee in 2001, in the context of the proposed programme budget for the biennium 2002-2003.

VII. Entitlement to survivor's benefits for spouses and former spouses

A. Introduction

155. In 1998, the Board reviewed and reported to the General Assembly on several issues regarding the entitlements to survivor's benefits for spouses and former spouses.[4] In its resolution 53/210 of 18 December 1998, the General Assembly, acting on recommendations made by the Board, approved measures related to entitlements for divorced surviving spouses; the purchase of survivors' benefits in respect of marriages after separation; the continuation of the surviving spouse's benefit after remarriage, i.e., elimination of the "remarriage penalty"; and the establishment of a payment facility for meeting family maintenance obligations. The Assembly also welcomed the "significant action taken by the Board" and encouraged the Board to continue its efforts in addressing those issues. In particular, the Assembly requested the Board: (a) to review the situation of divorced spouses not covered by the Board's recommendations in 1998 to the Assembly; and (b) to continue to monitor the experience under the decisions already taken.

156. The Board reviewed a number of issues this year, based on a paper submitted by the CEO/Secretary pursuant to the requests made by the Board and the General Assembly in 1998 and by the Standing Committee in 1999. At the outset, some members stressed the need to approach the various spousal and other family issues with care and with due regard for the various cultural traditions and national practices as well as differing legal jurisdictions. Other members placed emphasis on the need for UNJSPF to be responsive to the economic and social developments which had already taken place, as well as those under consideration in a number of national and international pension and social security schemes, taking into account the worldwide scope of operations of the Fund.

B. Surviving spouse's benefit for divorced spouse(s)

157. In resolution 53/210 the General Assembly approved, with effect from 1 April 1999, the inclusion of a new article (35 bis) in the Regulations of the Fund, to provide for a divorced surviving spouse's benefit, subject to five conditions regarding eligibility for the benefit, as set out in article 35 bis and reproduced below, all of which must be fulfilled:

"(i) The participant had been married to the former spouse for a continuous period of at least ten years, during which contributions were paid to the Fund on account of the participant or the participant was awarded a disability benefit under article 33 of the Regulations;

"(ii) The former spouse had not remarried;

"(iii) The participant's death occurred within 15 years of the date when the divorce became final, unless the former spouse proves that at the time of death the participant was under a legal obligation to pay maintenance to the former spouse;

"(iv) The former spouse has reached the age of 40. Otherwise the benefit entitlement shall commence on the day immediately following the day that age is reached; and

"(v) Evidence is provided by the former spouse that the participant's pension entitlement from the Fund was not taken into account in a divorce settlement".

158. The amount of the benefit would be based on a proportionate sharing between the surviving legal spouse and the former spouse(s) of a deceased former Fund participant, according to the duration of the marriages to the participant, of the surviving spouse's benefit specified in article 34 or 35. Because of concerns regarding the acquired rights of existing beneficiaries and their survivors, article 35 bis was made applicable only to "any divorced spouse of a participant or former participant, separated on or after 1 April 1999".

159. The Board was informed that only one case had been reviewed under the new article 35 bis. In that case, there was no sharing of the survivor's benefit since the fifth eligibility criterion could not be met by the divorced surviving spouse: the late participant's pension entitlement had been taken into account in the divorce settlement.

160. FAFICS, with the support of some participants' representatives, proposed the following three modifications of the eligibility conditions set out in article 35 bis:

(a) Elimination of the condition that "the former spouse had not remarried" (para. (b) (ii));

(b) Elimination of the requirement that "the participant's death occurred within 15 years of the date when the divorce became final" (para. (b) (iii));

(c) A stipulation that the provision whereby the former spouse is only entitled to a benefit after he/she reaches age 40 should not apply if there were children from the former spouse's marriage to the participant (para. (b) (iv)).

161. The situation of divorced surviving spouses not covered by article 35 bis was considered by the Standing Committee in July 1999. Based on the views expressed in the Standing Committee, as well as the strong sentiment reflected in the discussions of the Board in 1998 and in the corresponding resolution adopted by the General Assembly, the CEO/Secretary suggested that, in respect of the "closed" group of divorced surviving spouses of former participants who had separated before 1 April 1999 and who otherwise met all the eligibility conditions in article 35 bis, the divorced surviving spouse might be paid an amount equal to twice the minimum surviving spouse's benefit (currently 2 x $3,645 a year, or $7,290), subject

to the payment not being greater than the amount payable to a surviving spouse. He also suggested that the benefit might be made payable retroactively as of 1 April 1999, the effective date of article 35 bis.

162. The CEO/Secretary indicated that the number of potential cases could not be estimated, especially considering that the five eligibility criteria would have to be met; however, as the possible coverage would apply to a "closed" group of divorced surviving spouses, and considering that any payments would apply only as from 1 April 1999, the costs would not be large and would be actuarially insignificant.

163. FAFICS, with the support of some participants' representatives, proposed that the amount of the benefit should be set at three times the minimum surviving spouse's benefit (currently $10,935).

164. **After considerable discussion, the Board decided, by consensus, to recommend to the General Assembly the addition of the following new paragraph (e) to article 35 bis:**

> **"(e) The divorced spouse of a former participant who separated before 1 April 1999 and, in the opinion of the Secretary, met all the other eligibility conditions in subparagraphs (a) and (b) of this article shall be entitled as from 1 April 1999 to a benefit equal to twice the minimum surviving spouse's benefit under article 34 (c), subject to the proviso that the amount of such benefit cannot exceed the amount payable to a surviving spouse of the former participant."**

165. The Board also agreed that the experience with the implementation of the provisions of the new article 35 *bis* should continue to be monitored, on the basis of information to be provided periodically to the Board.

C. Purchase of survivors' benefits in respect of marriages after retirement

166. In resolution 53/210, the General Assembly adopted a new article 35 ter, with effect from 1 April 1999, which provided for the optional purchase by the retiree, on actuarially neutral terms for the Fund, of a surviving spouse's annuity for a spouse married after separation from service, through a reduction of the retiree's pension benefit. The Board was informed, and draws to the attention of the General Assembly, that this measure has been highly welcomed and successful. The Fund received almost 200 requests for information and estimates, and some 60 retirees have already elected to purchase such annuities.

D. Continuation of surviving spouse's benefit after remarriage

167. In resolution 53/210, the General Assembly approved, with effect from 1 April 1999, amendments to article 34 to eliminate the provision requiring discontinuation of a surviving spouse's benefit upon remarriage, i.e., the so-called "remarriage penalty", with respect to surviving spouses who remarried as from 1 April 1999. (Under the "remarriage penalty", a surviving spouse's benefit ceased to be payable on the remarriage of the widow or widower, subject to payment of a lump sum amounting to two years' benefit.) The Assembly also took note of the intention of

the Standing Committee to consider in 1999 whether the elimination of the "remarriage penalty" might be extended to surviving spouses who had remarried prior to 1 April 1999.

168. Views differed in the Standing Committee on this matter and the issue was referred to the Board for consideration in 2000. The CEO/Secretary informed the Board that the retroactive elimination of the provision would constitute a departure from the recent practice of making changes in the Regulations only prospectively and that the implementation of such a change would give rise to administrative difficulties in locating the individuals who had remarried many years ago, in recovering the past lump-sum payments with interest and in determining the amounts payable prospectively, after applying cost-of-living adjustments to the re-established survivor's benefits.

169. **After extensive discussion, the Board agreed, by consensus, to recommend to the General Assembly the removal of the "remarriage penalty" for surviving spouses who had remarried before 1 April 1999. The Board stressed that the entitlement to, and payment of, the survivor's benefit in such cases would be prospective only, i.e., to commence only as from 1 January 2001. Furthermore, the amount of the two-year lump-sum settlement payment made at the time of remarriage, plus interest, should be recovered. The Board requested the CEO/Secretary to enlist the assistance of the staff pension committees, offices of the member organizations around the world as well as FAFICS and its affiliated associations in the efforts to reach the surviving spouses who had remarried prior to 1 April 1999.**

170. **Accordingly, the Board decided to recommend to the General Assembly the addition of the following new paragraph (h) to article 34:**

> **"(h) Notwithstanding the provisions of (a) and (f) above, with respect to a surviving spouse who had remarried prior to 1 April 1999, the benefit under (a) above shall be payable as from 1 January 2001, subject to recovery (with interest) of the lump sum payment that had been made to that surviving spouse upon remarriage, as provided in the Regulations then in effect."**

171. It was not possible to determine the financial implications of removing the "remarriage penalty" for surviving spouses who had remarried prior to 1 April 1999; however, as that would relate to a "closed" group, the costs would not be large and would be actuarially insignificant.

E. Establishment of a payment facility for meeting family maintenance obligations

172. In resolution 53/210 the General Assembly approved an amendment to article 45 of the Regulations providing for a payment facility for Fund participants to enable them to meet family obligations that were incorporated in court decrees or court-approved divorce settlements; utilization of the payment facility required a request to that effect from the current or former participant concerned. The Assembly requested the Board to monitor the experience in implementing the payment facility and to report thereon, as necessary.

173. The Board was informed that five requests for application of the payment facility had been received and implemented by the Fund, with the agreement of the participants concerned. It also received updated information on the practices of the pension systems of the other international organizations which had a payment facility. The International Monetary Fund and the Inter-American Development Bank had recently aligned their provisions in this area with those of the World Bank; namely, they did not require the agreement of the former participant.

174. Should the requirement of a request from the participant be removed from article 45, it would be necessary to address the determination of the procedure to be followed in the event of conflicting court orders or ambiguity in their texts. The procedures might be similar to those adopted by the Washington-based international institutions, namely to cover matters such as ensuring due process by consultation with the participant; and referral back to the parties in cases of non-final, ambiguous or conflicting court orders. In the end, however, it would be necessary to delegate to the CEO/Secretary the discretion to arrive at a determination providing a reasonable resolution of the issue.

175. Most members expressed support for modifying the application of the payment facility to eliminate the requirement that a request for implementation should be made by the participant or former participant; at the same time, they agreed that it would be necessary to delegate to the CEO/Secretary the discretion to arrive at a determination, should he/she be presented with non-final, ambiguous or conflicting court orders. Several members expressed their strong opposition to any changes in the current arrangements.

176. **After extensive discussion, the Board decided, by consensus, to recommend to the General Assembly the following amendment to article 45, while recording the strong opposition to the amendment by some participants' representatives. The proposed revised text of article 45 would read as follows (deletions are shown in square brackets, additions are indicated by underlining):**

> **"(a) A participant or beneficiary may not assign his or her rights under these Regulations. Notwithstanding the foregoing, the Fund may, [upon receipt of a request from a participant or former participant made pursuant to a legal obligation] to satisfy a legal obligation on the part of a participant or former participant arising from a marital or parental relationship and evidenced by an order of a court or by a settlement agreement incorporated into a divorce or other court order, [direct that] remit a portion of a benefit payable by the Fund to such participant for life [be paid] to one or more former spouses and/or a current spouse from whom the participant or former participant is living apart. Such [direction or] payment [related thereto] shall not convey to any person a benefit entitlement from the Fund or (except as provided herein) provide any rights under the Regulations of the Fund to such person or increase the total benefits otherwise payable by the Fund.**
>
> **"(b) To be acted upon, the requirement under [a request] the court order must be consistent with the Regulations of the Fund, as determined by the Secretary to be beyond any reasonable doubt, and on the basis of the available evidence. Once implemented, the assignment [The direction in any such request] shall normally be irrevocable; however, a participant**

or former participant may request, upon satisfactory evidence based on a court order or a provision or a settlement agreement incorporated into a court decree, a new [direction] decision by the Secretary that would alter or discontinue the payment or payments. Furthermore, such payment or payments [any direction] shall cease [to have effect] following the death of the participant or former participant. If a designee [under a direction] predeceases the participant or former participant, the payments shall not commence, or if they have commenced, shall cease upon the designee's death. In the event that the payment or payments [under a direction] have been diminished, discontinued, or have failed to commence or have ceased, the amount of the benefit payable to the participant or former participant shall be duly adjusted."

177. The participants' representatives of ITU, the United Nations and UNIDO expressed their deep regret that the Board had decided to recommend the amendments to article 45 as set out in the preceding paragraph.

F. Other matters

Partial deferred retirement benefit

178. At present article 30 (c) of the Regulations of the Fund permits the partial commutation of a deferred retirement benefit (up to a lump-sum amount equivalent to the participant's own contributions); the exercise of such an option results in the elimination of a potential surviving spouse's benefit (article 34 (b)). In 1998, the Board had reviewed this provision and noted that its fairness might be questioned, particularly when the Regulations were being modified to provide benefits for former spouses and the option to purchase annuities for spouses married after separation.

179. The rationale for the forfeiture of the surviving spouse's benefit when electing a partial deferred retirement benefit had been expressed by the Pension Review Group in 1960 as follows:

> "The responsibility of the employer, or the Fund, towards the dependants of a participant who insists on withdrawing his own money from the Pension Fund seems to us to cease at the date of withdrawal. We would stress that we know of no other fund outside the international organizations which would even go as far as to allow a participant to withdraw his own money while still retaining the right to receive the balance of his entitlement as a deferred annuity."

180. The CEO/Secretary suggested that the basic issue to be addressed was whether to continue to provide an option to choose a partial deferred retirement benefit, resulting in the forfeiture of a potential survivor's benefit. He indicated that that practice was unusual and was not part of the deferred retirement provisions of such international organizations as the World Bank, IMF and IDB.

181. FAFICS suggested that the provision for partial commutation of a deferred retirement benefit should be maintained, but that that should not eliminate the benefit for a surviving spouse.

182. **The Board agreed by consensus to recommend to the General Assembly the following amendment to the Regulations of the Fund, which would**

eliminate the partial commutation option for participants electing to receive a deferred retirement benefit. Article 30 (c) would be amended as follows (deletions are shown in square brackets, additions are indicated by underlining):

> **"(c) The benefit may be commuted by the participant into a lump sum [: (i) if the rate of the benefit at the normal retirement age is 300 dollars or more, equivalent to the participant's own contributions; or (ii)] if the [such] rate of the benefit at the normal retirement age is less than 300 dollars. Such commutation shall be equivalent to the full actuarial value of the benefit."**

183. **In addition, in article 34 (b), the phrase "or had commuted a deferred retirement benefit under article 30 (c)" would be deleted.**

"Domestic partnership"

184. At the July 1999 meeting of the Standing Committee, it was agreed that the matter of "domestic partnership" should be placed before the Board in 2000, based on recent developments in several countries and in the context of the discussion of the situation of spouses and former spouses. The CEO/Secretary reviewed the issue, in a general and preliminary manner, including the possible future impact on the Fund's benefit provisions.

185. **After an extensive exchange of views as to whether the Standing Committee should consider in 2001 a further study of this issue, the Board agreed that the CEO/Secretary should present a preliminary study to the Standing Committee, providing background material and information on developments at both the national and the international levels. The study would cover current societal trends and would not be limited to examining only "domestic partnerships"; moreover, while reviewing the underlying issues, the study would not contain proposals. The Standing Committee would submit its observations on the study to the Board; substantive deliberations and actions, if any, would rest with the Board.**

VIII. Pension adjustment system

A. Monitoring of the costs/savings of recent modifications of the two-track feature of the pension adjustment system

Background

186. In 1991 and 1994, the General Assembly approved three changes in the pension adjustment system, which had entered into effect in 1992 and 1995: (a) the 1 April 1992 modification, which provided greater compensation for cost-of-living differences in deriving the initial local-currency pension for participants in the Professional and higher categories who submitted proof of residence in a high-cost country, i.e., higher than in New York, the base of the system; (b) the application of that modification to staff in the General Service and related categories as of 1 July 1995; and (c) the reduction of the "120 per cent cap" provision to 110 per cent, with effect from 1 July 1995. The Board and the General Assembly had requested that the costs/savings related to these measures should be monitored on the occasions of the

actuarial valuations of the Fund. At its session in 2000, the Board reviewed the latest assessments of the evolving costs of each of these modifications in the context of the actuarial valuation of the Fund as at 31 December 1999.

1 April 1992 modification

187. Over the eight-year period from 1 April 1992 to 31 March 2000, there had been 604 retirement or early retirement benefits whose amounts had been affected by the 1 April 1992 modification. These represented participants in the Professional and higher categories who had retired during the period and had provided proof of their residence in countries where the criteria for application of cost-of-living differential factors to determine the initial local-currency track pension had been met. A summary of the benefits actually paid in the 13 countries concerned, together with the amounts that would have been paid under the previous arrangements, was provided to the Board.

188. **On the basis of those data, the fourth and latest assessment of the emerging cost of the April 1992 modification by the Consulting Actuary was 0.26 per cent of pensionable remuneration, based on: (a) the methodology used in 1994, 1996 and 1998, which takes into account the actual additional payments over the period reviewed as well as changes in the geographical distribution of the recipients of benefits, and (b) the results of the actuarial valuation as at 31 December 1999.**

189. The number of additional benefits covered during the successive assessment periods has been declining, mainly as a result of the appreciation in value of the United States dollar, which reduced the extent to which cost-of-living differential factors became applicable. The table below indicates the evolution of the costs by assessment period:

Costs of 1992 modification of pension adjustment system, as applicable to staff in the Professional and higher categories

Period assessed	*Cost as percentage of pensionable remuneration*	*Number of benefits applicable*	*Increase in number of benefits applicable over previous assessment*
A. Estimated cost made in 1991	0.30	. .	.
B. 1 April 1992 to 31 March 1994	0.26	143	.
C. 1 April 1992 to 31 March 1996	0.33	390	247
D. 1 April 1992 to 31 March 1998	0.32	552	162
E. 1 April 1992 to 31 March 2000	0.26	604	52

Extension of the 1 April 1992 modification to staff in the General Service and related categories separating on or after 1 July 1995

190. During the period from 1 July 1995 to 31 March 2000, there were four retirement benefits processed in respect of General Service staff which involved proof of residence in a country where the cost-of-living differential factors applied under the revised "Washington formula". The circumstances of these four cases were as follows:

Country of residence	*Country of last duty station*
United Kingdom (one case)	Israel
France (one case)	Senegal
Portugal (two cases)	Cape Verde

191. **Based on the very limited number of applicable cases, no meaningful assessment could be made at the current stage of the emerging cost of the extension of the April 1992 modification of the pension adjustment system to General Service staff separating on or after 1 July 1995.**

Reduction of the 120 per cent cap provision to 110 per cent

192. As of March 2000, there were 38,553 main benefits in award (excluding children's benefits), of which 26,570, or 68.9 per cent, related to beneficiaries with only a dollar pension entitlement and 11,983, or 31.1 per cent, to beneficiaries who were on the two-track pension adjustment system (i.e., had two pension records, both a dollar-track amount and a local-currency track amount). **The number of cases involving the application of the cap provision was 2,820 out of 11,983 (23.5 per cent), as compared to 1,104 out of 12,197 (9.1 per cent) as of March 1998.**

193. The breakdown for beneficiaries separating since the date of introduction of the 110 per cent cap provision, i.e., from 1 July 1995 to 31 March 2000, was as follows: of the 7,840 main benefits established, 6,885, or 87.8 per cent, related to beneficiaries with only a dollar pension entitlement and 955, or 12.2 per cent, to beneficiaries who were on the two-track adjustment system. With respect to the 955 two-track cases, during the first quarter of 2000 only 5 beneficiaries (0.5 per cent) were actually paid the amount corresponding to 110 per cent of the local track amount for that quarter. **The data for the period of 4 years, 9 months, reflected a reduction in the overall utilization rate of the two-track option, from the 35.6 per cent level as of March 1996, to 33.7 per cent as of March 1998, to 31.1 per cent as of March 2000. The utilization rate since the introduction of the 110 per cent cap, i.e., during the period from 1 July 1995 to 31 March 2000, was 12.2 per cent, reflecting the impact of the strengthening of the United States dollar and the lowered cap.**

194. As part of the current actuarial valuation exercise, the Consulting Actuary also estimated the emerging long-term costs of the two-track system as a whole, based on data since 1990, to be 1.83 per cent of pensionable remuneration; the actuarial assumption used in the latest valuation was 1.9 per cent of pensionable remuneration. In order to make an assessment of the savings arising out of the new 110 per cent cap provision of the two-track system, the Consulting Actuary compared (a) the emerging long-term costs of the two-track system with the 110 per cent cap alone, based on an evaluation and projection of the data for those to whom the 110 per cent cap provision might apply, which was 1.43 per cent of pensionable remuneration, with (b) the emerging long-term costs of the two-track system as a whole, based on data since 1990, which was 1.83 per cent of pensionable remuneration.

195. **On this basis and as a very preliminary first estimate, the emerging long-term savings attributable to the introduction of the 110 per cent cap provision**

were estimated to be in the order of 0.40 per cent of pensionable remuneration; at the time the change in the cap was proposed, the actuarial savings had been estimated at 0.20 per cent of pensionable remuneration.

196. It was noted that, since the current assessment of the emerging savings was based on very limited data, still further years of experience would be necessary, including an analysis of the evolution of the actual utilization of the two-track pension adjustment option given the lower cap provision, before a more definitive estimate of the savings could be made.

197. **The Board took note with satisfaction of the assessments provided of the actual emerging costs/savings of the recent modifications of the two-track features of the pension adjustment system and concluded that no changes needed to be made at the current stage, either as regards (a) the rate of contribution or (b) the current parameters of the revised "Washington formula" and of the cap provision.**

B. Method of determining cost-of-living adjustments of pensions in award

198. At its 1996 and 1998 sessions, at the request of FAFICS, the Board had considered a proposal to change the method of determining cost-of-living adjustments of pensions in award.

199. Under the pension adjustment system, the dollar pensions and, if applicable, the local-currency pensions, were adjusted on 1 April of each year, provided there had been a defined minimum movement of the relevant cost-of-living index. The adjustments were made in accordance with the movement of the United States consumer price index and, if applicable, of the CPI of the country of residence, subject to the requirement that the relevant CPI index had moved by at least 3 per cent since the last adjustment. If the CPI changed by 10 per cent or more since the last adjustment, then a further adjustment would be made as of 1 October of that year.

200. **In view of the favourable result of the actuarial valuation of the Fund as at 31 December 1999 and as indicated in paragraph 56 above, the Board decided to recommend to the General Assembly that the threshold for cost-of-living adjustments for pensions in award should be reduced from 3 per cent to 2 per cent, effective from the adjustments due on 1 April 2001.**

IX. Status of the proposed agreement between the Board and the Government of the Russian Federation

Background information

201. Since 1991, the Board has reported to the General Assembly on problems arising from the past application of the transfer agreements which the Fund had concluded with the Governments of the former USSR, the Ukrainian SSR and the Byelorussian SSR. Those agreements had been approved by the General Assembly and had entered into force in 1981. Their application had been suspended since 1992, following the dissolution of the former Soviet Union. During recent years,

numerous representations have been received from former participants from the countries concerned, claiming that they had been denied the benefit of their accrued pension rights from the Fund.

202. At its fifty-first session, in 1996, the General Assembly concurred with a proposed agreement between the Government of the Russian Federation and the Board which had been negotiated by representatives of the Fund secretariat and of the Russian Government and had received the approval of the Board in July 1996. In both the proposed agreement and its accompanying protocol, as well as in the recommendation of the Board to the General Assembly, the agreement was envisaged as the first step in addressing problems related to claims and representations made by former participants from the former USSR, the Ukrainian SSR and the Byelorussian SSR, including in particular those who had transferred their pension rights accrued in the Fund under the transfer agreements between the Fund and the three Governments concerned.

203. In its resolution 51/217 of 18 December 1996, the General Assembly:

- Concurred with the proposed agreement, which would represent the first step in resolving the problems that had arisen with respect to the application of the transfer agreements;
- Noted that some Member States had expressed concern that the proposed agreement only covered certain former Fund participants who were currently citizens of the Russian Federation;
- Endorsed the further steps envisaged in the proposed agreement and, towards that end, urged the Governments of the Member States concerned to undertake direct discussions aimed at resolving the financial issues involved in respect of those former participants who were their citizens or permanent residents;
- Requested the Board to report to the General Assembly at its fifty-third session on the developments in respect of the "further steps" mentioned above.

204. Under the proposed agreement, periodic pension benefits similar to those provided under the Regulations of the Fund would be paid prospectively to the former participants covered, as from 1 January 1997 or age 60, whichever was later. While there would be cost-of-living adjustments analogous to those under the pension adjustment system of the Fund, no retroactive payments of any kind would be made. Widows' and widowers' benefits would also be paid, but no children's benefits, and no periodic benefit could be commuted into a lump sum. It was also agreed that the list of the former Fund participants to be covered by the proposed agreement would be finalized in consultations involving the Fund secretariat, the Government of the Russian Federation and the Association of Former International Civil Servants in Moscow, and that the actuarial costs of implementing the proposed agreement would be provided to the Government of the Russian Federation. The terms of the proposed agreement also stipulated that the agreement would not enter into force until the first of 10 annual instalment payments of the actuarial costs involved had been made to the Fund by the Government of the Russian Federation.

205. The proposed agreement was self-contained. It clearly stipulated that the rights granted thereunder flowed neither from the Regulations of the Fund nor from any obligation or responsibility on the part of the Fund. The proposed agreement gave the Standing Committee the authority to resolve disputes relating to decisions taken

by the Secretary in its implementation. Provision was also made for suspension of the payment of benefits if the annual instalments payable by the Government of the Russian Federation were delayed or cancelled. Before its entry into force, the agreement had to be formally approved by the Government of the Russian Federation, following its approval by the Board and the concurrence of the General Assembly.

Developments from 1998 to mid-2000

206. In its report to the General Assembly in 1998, the Board had indicated that the Government of the Russian Federation had not yet accepted the proposed agreement with the Fund and therefore had not paid the first instalment of the actuarial costs required for its implementation. Consequently, the "further steps" envisaged in respect of persons not covered by the proposed agreement could not be initiated (i.e. those who had less than five years of contributory service or had taken withdrawal settlements as they had separated *before* the transfer agreements came into effect, and those who were not nationals of the Russian Federation).

207. The General Assembly was also informed that the Board had decided:

> "(a) To request the Secretary and the Chairman to intensify their efforts, including through a visit to Moscow, if considered useful, to gain the formal written approval by the Government of the Russian Federation of the proposed agreement and protocol therein, negotiated between the Board and the Government in 1996;
>
> "(b) To authorize the Secretary and the Chairman, when obtaining the formal approval of the Government, to allow for certain modifications in the proposed agreement on matters related to the schedule of payments and/or the date of entry into force of the benefit scheme".[5]

208. On 30 September 1998, the Permanent Representative of the Russian Federation to the United Nations extended invitations to the Under-Secretary-General for Management and the Secretary of the Board, as well as one or two experts from the Pension Fund, to visit Moscow in early 1999 to discuss matters of mutual interest, including the issue of the proposed agreement. In his response, the Secretary indicated that both the Chairman of the Board and he stood ready to visit Moscow if that were deemed useful in expediting formal approval by the Government of the proposed agreement; and that the date for such a visit would depend on the intentions and readiness of the Government of the Russian Federation to pursue, within the framework of the proposed agreement, a solution to the problems that had arisen.

209. In the Fifth Committee in 1998, the delegation of the Russian Federation stated that the issue had been a matter of concern for the Government of the Russian Federation ever since the proposed agreement had been concurred with by the General Assembly in 1996 and that significant efforts had been made since then to achieve progress and find a solution to the problem. The obstacles turned out to be more serious and numerous than had been expected originally, because of the urgent need in the Russian Federation to tackle serious social problems which had accumulated with regard to payments to pensioners, teachers, medical workers and other groups. The delegation also stated that the issue of settling the legitimate demands of former staff of Russian nationality remained on the Government's

agenda. The delegation of the Russian Federation assured the members of the Fifth Committee of its "responsible and serious intention to find a solution to this complex and delicate problem as soon as possible."[6]

210. **The General Assembly, in section III, paragraphs 1 and 2, of its resolution 53/210:**

- **Took note of the information provided by the Russian Federation concerning the problems that had arisen with regard to the implementation of the proposed agreement between the Government of the Russian Federation and the United Nations Joint Staff Pension Board and noted the intention of the Government of the Russian Federation to pursue all of the outstanding issues;**
- **Encouraged all parties concerned to continue their efforts to resolve the problems addressed in section IV of its resolution 51/217, *in particular those within the framework of the proposed agreement and protocol thereto*."**

211. Following the adoption of resolution 53/210, both the Secretary-General and the Secretary of the Board urged the Government of the Russian Federation to give concrete effect to its undertaking to resolve the outstanding problems and clear the obstacles in the way of approval of the proposed agreement by the Russian Federation. The matter was raised by the Secretary-General at meetings in New York with high-level officials from the Russian Federation.

212. At the meeting of the Standing Committee in July 1999, a representative of AFICS/Moscow stated that the Government did not intend to implement the proposed agreement, but would pursue an internal solution involving minimal additions to the current national pensions. The representative indicated further that the majority of the membership of AFICS/Moscow would oppose the intended measure and would continue to pursue a meaningful resolution of their grievances.

213. The Standing Committee was informed by a member representing the General Assembly that there had been substantive interdepartmental discussions in Moscow on implementation of the proposed agreement and that the major obstacle was the high cost involved; moreover, the significant social, economic and financial problems in the Russian Federation made implementation of the proposed agreement extremely difficult, if not impossible, in the near future. He indicated that the Government recognized the need to find a solution, and that this might consist of increases in the national pensions of former Fund participants, based on criteria and involving amounts yet to be decided. The Standing Committee was informed that ratification of the proposed agreement would remain on the agenda of the Government, if the establishment of such a scheme affecting the national pensions did not take place, and that the CEO/Secretary would be informed when a decision was reached.

214. In a letter dated 23 September 1999, the Permanent Representative of the Russian Federation to the United Nations extended an invitation to the Chairman and the Secretary of the Board to visit the Russian Federation, to be "informed in detail about the criteria, motive[s] and framework of the Government's decision concerning the solution to the problems faced by former Russian participants of the Fund". After being apprised of the highly restrictive nature of the proposed agenda for the visit, the CEO/Secretary, following discussions with the Chairman of the

Board and the President of AFICS/Moscow, informed the Permanent Representative on 7 October 1999 that such a visit would not be appropriate at that time, since the proposed agenda did not take into account the mandate given by the Board to its Chairman and CEO/Secretary and the request of the General Assembly that solutions to the grievances of these former participants should be sought "within the framework of the proposed agreement".

215. The CEO/Secretary continued his efforts during 2000 to obtain further information on the status and substance of the purported internal solution under consideration by officials in the Government of the Russian Federation. He received unofficial information from AFICS/Moscow, indicating that extensive discussions had taken place in Moscow involving representatives from the ministries of Labour and Social Development, Finance and Foreign Affairs on preparing legislation to adjust selectively the national pensions of some of the former Fund participants.

216. In June 2000, in a communication to the Permanent Representative of the Russian Federation to the United Nations, the CEO/Secretary recalled the past developments related to the proposed agreement and expressed the view that an internal approach, involving supplements to the national pensions that bore no relation to the sums transmitted on behalf of the former Fund participants, would not be adequate to address the political and legal implications of the issues and therefore would not end the current protests and legal challenges to the earlier confiscatory action. He urged that solutions should be sought "within the framework of the proposed agreement". He indicated further that, if the Government of the Russian Federation no longer supported this position, its decision should be formally communicated to the Board and the General Assembly.

217. In his reply of 27 June 2000, the Permanent Representative stated that his Government attached importance to resolving the problems faced by Russian former participants of the Fund and that several ministries and federal departments were working on new provisions for supplementary payments to the former Fund participants. He indicated that, taking into consideration the difficult financial situation in the Russian Federation, every effort would be made to find mutually acceptable solutions very soon and that the Government would duly inform the Pension Board and the General Assembly of the final results.

218. The Secretary-General also sent a communication, dated 30 June 2000, on the matter to the Minister for Foreign Affairs of the Russian Federation in which he referred to the numerous communications that he and his predecessor had received over the years from former Fund participants from the former USSR regarding their having been denied pension entitlements they had earned during their service with the United Nations or other member organization of the Fund. He indicated that it was essential that a meaningful and fair resolution of the issue take place, as quickly as possible, and that the absence of a solution acceptable to all the parties would lead inevitably to an intensification of legal and other challenges by the former participants concerned.

Discussions in the Board

219. The President of AFICS/Moscow, participating in the discussions on the item at the request of FAFICS, stated that the members of AFICS/Moscow would be submitting demands for the "complete and unconditional restoration of their United Nations pension rights and entitlements". He added that they would pursue their

claims before the Standing Committee and, eventually, the United Nations Administrative Tribunal. The CEO/Secretary indicated that, in his view, the statement of the President of AFICS/Moscow represented an apparent fundamental shift from the previous position of the members of his Association, who were now blaming the Fund for their situation.

220. The representatives of governing bodies and of executive heads, as well as some participants, regretted the lack of a formal response by the Government of the Russian Federation regarding its position on the proposed agreement; they also voiced strong disappointment and regret with regard to the statement by the President of AFICS/Moscow. They noted that the Chairman and the CEO/Secretary of the Board had made strenuous efforts to foster implementation of the proposed agreement, to date without success. The Fund and the Board had met their obligations under the transfer agreements to the former Fund participants concerned.

221. The representative of several participants emphasized their strong support of the concerns raised by the President of AFICS/Moscow in his statement made and expressed the belief that the Fund and the Board would have to accept some responsibility for the plight of the former participants.

222. **The Board stressed the need to receive a formal response from the Government of the Russian Federation to the relevant resolutions of the General Assembly. After extensive discussions as to a future course of action, the Board agreed that, given the indications that an official statement on the position of the Government of the Russian Federation would likely be communicated in August/September 2000, the matter would have to await developments in the General Assembly, if any. The Board also agreed to request the CEO/Secretary to report to the Standing Committee in 2001 on the status of the issue. The Board expressed its appreciation for the continuous efforts of the CEO/Secretary and its Chairman, as well as that of the Secretary-General of the United Nations, to find acceptable solutions to the problems; it also indicated its disappointment that no meaningful progress had been achieved towards implementation of the proposed agreement and its protocol.**

Possible assistance from the Emergency Fund

223. At the July 1999 meeting of the Standing Committee, consideration was given to a proposal by the participants' representatives, FAFICS and FICSA that the authorized sums not expended from the Emergency Fund should be utilized as an interim measure to pay "limited benefits" to former participants from the former USSR, pending a resolution of the outstanding issues. As an agreement on the proposal could not be reached, the Standing Committee had requested the CEO/Secretary to prepare a paper for the Board session in 2000, taking into account the legal and financial implications.

224. The CEO/Secretary confirmed that the current guidelines for use of the Emergency Fund did not provide for assistance to those who took withdrawal settlements or transferred their accrued UNJSPF pension rights. Consequently, any changes to permit non-beneficiaries to receive assistance from the Emergency Fund would require the approval of the General Assembly, acting on the recommendation of the Board.

225. The CEO/Secretary also recalled that in 1994 he had suggested that the Board might consider amending the guidelines of the Emergency Fund to permit one-time ex gratia payments to former Fund participants from the former USSR. The Board had not agreed to that suggestion, because of the legal, financial and administrative implications that such a change would entail. The CEO/Secretary indicated further that, if the Board were now inclined to provide assistance from the Emergency Fund, it would have to formulate a proposal to be recommended to the General Assembly, indicating the nature of the assistance, the eligibility criteria and the method for determining the amount of the payments.

226. Several representatives from each of the constituent groups on the Board indicated that they would favour, as a humanitarian gesture, giving some assistance from the Emergency Fund.

227. **After considerable discussion, the Board decided not to amend the Emergency Fund guidelines to authorize ex gratia payments to the former participants concerned.**

Information received after the session of the Board

228. **After the Board session two communications were received from the Government of the Russian Federation: a communication dated 31 July 2000 from the Foreign Minister of the Government of the Russian Federation, Mr. I. Ivanov, responding to the 30 June 2000 communication of the Secretary-General (see para. 218 above); and a communication dated 1 August 2000 from the Vice Prime Minister, Mrs. Valentina I. Matvienko, to the CEO/Secretary. Pursuant to consultations with the Chairman of the Board, information is provided below on the contents of the communications. This information has also been brought to the attention of the members of the Board, through the secretariats of the staff pension committees of the member organizations of the Fund.**

229. **The Foreign Minister of the Russian Federation indicated that he shared the concern of the Secretary-General regarding the need for a speedy solution to the problem of the pension entitlements of the former Fund participants from Russian Federation, and that the matter was being accorded constant attention by the Government of the Russian Federation. He indicated that a number of Russian ministries and departments had recently devised and submitted, for Government approval, a new procedure for providing supplementary benefits for former staff members of international organizations to be funded through the federal budget. The Foreign Minister referred to the strained financial situation of the Russian Federation, but also stated that plans were being made to ensure that the greatest possible account would be taken of the interests of the Russian citizens concerned. He expressed the hope that he would be able to inform the Secretary-General of the terms of the decision taken by the Government of the Russian Federation in the very near future.**

230. **In her communication, the Vice Prime Minister recalled the background to the Transfer Agreement between the Fund and the Government of the former USSR, which had entered into force on 1 January 1981, after receiving the concurrence of the General Assembly. She recalled that, under the Transfer Agreement, upon receipt of a written request from the former participant, the**

pension rights under the Regulations of UNJSPF were transferred to the former USSR; the amount transferred was to be taken into account in the award of a Soviet pension, as stipulated in the agreement.

231. Mrs. Matvienko indicated that the practice had been to award individual pensions to the former participants concerned; however, with the abolition of individual pensions in the Russian Federation, with effect from 1 January 1992, these former participants of UNJSPF had been transferred to State pensions established by the law of the Russian Federation on 20 November 1990.

232. The Vice Prime Minister stated that the former participants in the Fund had then begun to approach various State organs of the Russian Federation and the United Nations requesting the restoration of their pension rights in UNJSPF. She noted that under the new proposed agreement, to which the General Assembly had concurred in 1996, the Government of the Russian Federation would be responsible for the full cost of restoring the pension rights of the former Fund participants. The Vice Prime Minister indicated that the proposed agreement would not be in the interest of the Russian Federation; therefore, the Government of the Russian Federation considered that, in order to protect the rights of former staff members of international organizations, the Russian Federation (as the successor to the USSR) should take steps to give effect to the 1981 Transfer Agreement. Towards this end a legal instrument was being prepared which would provide that, on their retirement on a State pension, the former officials of United Nations organizations would receive an additional monthly benefit which would be paid irrespective of other types of income received by such citizens in the Russian Federation. The amount of the benefit would depend on the amount that had been transferred by the Fund to the Social Security Fund of the former USSR, as well as on the length of service in the international organization. The Vice Prime Minister stated that the amount would substantially exceed the maximum pension benefit established in the Russian Federation. She concluded that the Government of the Russian Federation considered that there would be no need to adopt a new agreement between the Fund and the Government of the Russian Federation.

X. Other matters

A. Review by the International Civil Service Commission of the common scale of staff assessment for pensionable remuneration purposes

Background

233. In 1996, the International Civil Service Commission, in close cooperation with the Board, recommended a common staff assessment scale for both the Professional and higher categories and the General Service and related categories, for the determination of pensionable remuneration levels of both categories. The General Assembly, in its resolution 51/216 of 18 December 1996, approved the recommended scale, with effect from 1 January 1997.

234. At that time the Board and the Commission had agreed that the common staff assessment scale should be reviewed and updated, as necessary, every two years

based on tax changes at the seven headquarters duty stations. The Board also took the position that consideration should be given in future reviews to the use of retiree tax deductions, to some extent, in deriving the staff assessment rates.

235. During its review in 1998, ICSC had found that only minimal changes had occurred in the average taxes at the seven headquarters duty stations between 1995 and 1997. It had therefore decided not to revise the common scale of assessment and to review it again in 2000.

Review of the common staff assessment scale in 2000

236. As was done in 1998, an advance copy of the document on the periodic review of the staff assessment scale, prepared by the ICSC secretariat for consideration by the Commission at its July/August 2000 session, was provided to the Board for its prior review. The data in that document indicated that only minimal changes had occurred between 1995 and 1999, for both married and single taxpayers. Based thereon, the ICSC secretariat had recommended that the common scale of staff assessment, which had been in effect since 1 January 1997, should continue to apply and that it should be reviewed again at the time of the next comprehensive review of pensionable remuneration. The ICSC secretariat also recommended that, at that time, the issue of the use of tax deductions, as related to employees/retirees, should be addressed.

Discussions in the Board

237. A number of participants' representatives expressed their dissatisfaction with the conclusion in the document of the ICSC secretariat. They also disagreed with the methodology used in determining the staff assessment scale. They were of the view that the indicated changes should be implemented, notwithstanding the fact that they were considered to be minimal.

238. The representative of the ICSC secretariat at the Board session recalled that the Commission had established certain guidelines and objectives during the last comprehensive review of pensionable remuneration for determining the common scale of staff assessment.[7] Those guidelines and objectives were as follows:

(a) The income inversion phenomenon should be significantly addressed, particularly at net income levels applicable to both Professional and General Service staff;

(b) Low net income levels should not be adversely affected;

(c) High net income levels should receive no additional benefit as a result of the adoption of a common scale of staff assessment.

The representative of the ICSC secretariat stated that, if the scale were to be revised on the occasion of the current review, those guidelines and objectives would have to be taken into account in the actual construction of a revised staff assessment scale.

239. **The Board decided to take note of the data provided in the document prepared by the ICSC secretariat, and in particular the level of movement of the taxes at the seven headquarters duty stations since 1995; it also noted that, on the occasion of the next comprehensive review of pensionable remuneration, the issue of using retiree deduction factors would be considered.**

240. **At its July/August 2000 session, the Commission decided to report to the General Assembly that the current common staff assessment scale should continue to apply and should again be reviewed on the occasion of the next comprehensive review of pensionable remuneration, at which time the issue of tax deductions related to employees or retirees for the construction of the scale would be addressed.**

B. Composition of the Board and its Standing Committee

Background

241. Pursuant to decisions taken from time to time by the Board and the General Assembly, the Board has periodically reviewed questions related to the size and composition of both the Board and its Standing Committee, as well as the rotation schedule for the member seats on the Board and the Standing Committee. In 1987, the Board had recommended and the General Assembly had approved an increase in the size of the Board from 21 to 33 members, effective 1 January 1989. The size of the Standing Committee was also increased in 1989 from 9 to 15 members.

242. At the last review, carried out in 1998, the Board had agreed to maintain the size and composition at 33 members and the Standing Committee at 15 members, and to allocate the seats on those two bodies for the period covered by the four regular Board sessions held after 1998.

243. The Board had also agreed that, in the event ICITO/GATT withdrew from the Fund, the size and composition of the Board would be re-examined at the first regular session convened after its withdrawal. ICITO/GATT withdrew from the Fund with effect from 31 December 1998, thus ceding automatically the member seat it held on the Board; accordingly, the subject was placed on the agenda for the 2000 session.

Current review

244. The WIPO Staff Pension Committee requested that the vacant Board seat should be allocated to WIPO, based on the increase in the number of WIPO participants in recent years. Other organizations/entities requested changes in their current arrangements as regards member seats and participation in the deliberations of the Board: (a) UNESCO raised the possibility of obtaining a third seat on the Board; (b) IAEA requested increased representation on the Board, reflecting the growth in IAEA participants; (c) FAFICS advanced issues bearing on the nature and/or size of its representation on the Board; and (d) FICSA requested consideration of the possibility of sending two observers to Board sessions (presumably CCISUA would expect the same consideration).

245. When the size of the Board was increased to 33 members, the following principles had been approved by the Board and accepted by the General Assembly for the allocation of seats to member organizations:

(a) A new member organization would be entitled to a Board seat only if the number of its participants constituted at least 1 per cent of the Fund's total participants;

(b) A new member organization not meeting the 1 per cent threshold would be entitled to send one representative to Board sessions (a "representative" has all the rights of a member except the right to vote);

(c) Any member organization already with a seat should not lose that seat, even if its participant population decreased over time.

246. In his analysis of the options, the CEO/Secretary expressed the view that there was no compelling need to enlarge the Board. As to the seat formerly occupied by ICITO/GATT, he suggested that the allocation of that vacant seat might be determined on the basis of the changes in the number of active participants that had occurred since 31 December 1986 (the participant data had been used by the Board in 1987 in determining the current size and composition of the Board). On that basis, the CEO/Secretary suggested that the former seat of ICITO/GATT should be allocated as follows: additional one half seats to WIPO (giving that organization one and a half seats) and to IAEA (giving that organization two seats). With respect to WIPO, there had been an increase in the number of its participants from 325 to 955; in IAEA, the number of participants had increased from 1,784 to 2,068.

247. As regards the requests made by FAFICS for reconsideration of the nature and/or size of its representation on the Board, the CEO/Secretary suggested that FAFICS should be accorded the right to send four representatives and two alternate representatives (thus adding two representatives) to Board sessions. He noted that travel and per diem expenses of FAFICS delegates who attended Board and Standing Committee sessions were borne solely by FAFICS.

248. With respect to the request by FICSA, the CEO/Secretary indicated that the Board would have to consider the implications of any change from the current general limit of one observer from each entity invited to attend Board sessions. Currently, there was a limit of one alternate representative for each Board member and a one-representative limit (except in the special case of FAFICS). It was also noted that the interlocutors for participants in the deliberations of the Board were the participants' representatives, who hold one third of the total seats on the Board.

249. With regard to the Standing Committee, the CEO/Secretary again expressed the view that there was no compelling reason to increase its size. Although ICITO/GATT had had no individual seat on the Standing Committee, it had formed part of the group of five organizations (WMO, ICITO/GATT, IMO, WIPO and IFAD) that shared two seats on the Committee. The CEO/Secretary suggested the following changes in the composition of the Standing Committee:

(a) WMO, IMO and IFAD to share one seat (they had shared two seats previously, with ICITO/GATT and WIPO);

(b) IAEA to have one seat (previously IAEA had shared a seat with UNIDO), thus gaining half a seat;

(c) WIPO to share a seat with UNIDO (previously UNIDO had shared a seat with IAEA and WIPO had shared two seats with four other organizations).

250. As regards FAFICS, the CEO/Secretary suggested that it should be permitted to send two representatives and two alternates to Standing Committee meetings (this would represent an increase of one representative and one alternate).

Discussions in the Board

251. During the discussions, Board members focused on the issue of the proportionality in the distribution of Board seats and, in particular, on the position taken by the United Nations Staff Pension Committee that the allocation of seats to the United Nations should be increased significantly, based on the large increase since 1987 in the number of active participants employed by that Organization. Currently, the United Nations had 65 per cent of the participants and only 36 per cent of the seats on the Board. Members from other organizations stressed that the appropriate allocation of seats and the full representation of all the member organizations of the Fund were essential to the coherence and effective functioning of a multi-employer Fund such as the UNJSPF; in their view, the allocation of seats should not be based solely on the proportion of the participants employed by each organization.

252. **After informal consultations and based on a proposal by the United Nations Staff Pension Committee, the Board decided by consensus: (a) to provisionally allocate the former seat of ICITO/GATT on the Board and on the Standing Committee as suggested by the CEO/Secretary (paras. 246 and 249 above, respectively); and (b) to request the CEO/Secretary to prepare a study of the size and composition of the Board and the Standing Committee for review in the first instance by the Standing Committee in 2001, and subsequently by the Board in 2002. The Board indicated further that the study should address:**

(i) The principles agreed upon and used in 1987 for the allocation of seats on the Board and the Standing Committee to the member organizations, including in particular the proportional distribution of seats based on the number of participants employed by each member organization;

(ii) A review of the changes in the number of participants in the member organizations since 1987;

(iii) The criteria to be used for future allocation of seats on the Board and the Standing Committee;

(iv) The number of representatives and alternates to be allocated to FAFICS.

C. Proposed amendments to articles 6 and 14 of the Regulations

Article 6

253. Following consultations with the United Nations Staff Pension Committee, the CEO/Secretary proposed an amendment to article 6 (b) of the Regulations of the Fund, to establish four-year terms (rather than the current three years) for the elected members and alternate members of the United Nations Staff Pension Committee. The change would permit the elected members and alternates on the Committee to participate at two sessions of the Board, since the Board currently meets biennially, in even-numbered years.

254. **The Board agreed to recommend to the General Assembly that in article 6 (b) the stated terms of office for the elected members and alternate members**

of the United Nations Staff Pension Committee should be changed from "three years" to "four years".

Article 14

255. The CEO/Secretary also proposed that, in article 14 (b) of the Regulations, the periodicity for audits of the accounts of the Fund by the United Nations Board of Auditors, and the submission of reports thereon to the General Assembly, should be biennial, rather than annual. Owing to the biennialization of the work of the General Assembly, the current practice was for the Board of Auditors to submit reports to the Assembly on the accounts of the Fund on a biennial basis.

256. **The Board agreed to recommend to the General Assembly that, in article 14 (b), the frequency of audits of the accounts of the Fund should be changed from "annually" to "every two years".**

D. Possible penalties in cases of fraud by participants and beneficiaries

257. Based on observations made by the Board of Auditors on the operations of the Fund for the biennium ended 31 December 1997, the Board requested the CEO/Secretary to prepare a paper, for discussion by the Standing Committee in 1999 and the Board in 2000, on the possible introduction of a provision for imposing penalties in cases of fraud or serious misrepresentation by Fund participants or beneficiaries.

258. In 1999, the majority of speakers in the Standing Committee suggested that, in cases of suspected or proven fraud, the competent national authorities might be asked to institute criminal proceedings or recovery procedures. However, the representatives of governing bodies were not convinced of the efficacy of involving the national authorities, whether to institute criminal proceedings or to assist in the Fund's recovery efforts.

259. There was general agreement in the Board that provisions dealing with this subject should be added to the Regulations and/or the Administrative Rules of the Fund. It was also considered necessary to limit such provisions to authorizing appropriate administrative action by the Fund secretariat to recover overpayments, with interest and the addition of a charge to cover administrative costs. The Board took the position that issues of criminal intent or misrepresentation required judicial rather than administrative proceedings, with full due process and legal representation for the individual concerned.

260. **After extensive discussions, the Board agreed to recommend to the General Assembly that the following phrase should be added at the end of current article 43:**

> **", including interest and costs, where appropriate."**

261. **The Board also agreed to add the following second sentence to administrative rule J.9 (a):**

> **"The Secretary may, where such an overpayment had been attributable to *the submission of incorrect information to the Fund, recover interest,* as well as administrative costs of 10 per cent of the overpayment."**

262. **The Board further agreed that the actions stipulated in paragraphs 260 and 261 above would represent the first steps in determining the extent to which administrative measures could be taken or recommended by the Board to respond to fraud and misrepresentation leading to overpayments by the Fund. If necessary, additional steps would be considered by the Board in the future, based on the actual experience with those initial measures.**

E. Judgement of the United Nations Administrative Tribunal requiring action by the General Assembly

Background

263. The Board considered the modalities for implementing a judgement issued by the United Nations Administrative Tribunal in November 1999 in the case of Merani v. United Nations Joint Staff Pension Board (Judgement No. 942). The implementation issues were related to the interpretation and practical application of several provisions of the pension adjustment system, as approved by the General Assembly.

264. The Tribunal had concluded that, in the case of the Applicant, the cost-of-living differential factor (paras. 5 and 6 of the UNJSPF pension adjustment system) should be applied to establish the initial local-currency amount of the Applicant's deferred retirement benefit. The cost-of-living differential factor was intended to provide a reasonable level of income replacement for a beneficiary, in the local currency of the country of residence, as measured against the net income of an active staff member serving in that country during the three years preceding the retiree's separation on retirement or early retirement, the level of the factor was based on the three-year average by which the cost of living in the country of residence after retirement exceeded that at the base of the United Nations pension system, New York, with the cost-of-living difference measurements being based on the post adjustment levels at each location during the 36-month period up to and including the month of separation.

265. The Fund secretariat had not applied the cost-of-living differential factor in view of the provisions of paragraph 27 of the UNJSPF pension adjustment system under section J, entitled "Deferred retirement benefit" (covering explicitly the adjustment of deferred retirement benefits), which read as follows:

> "27. (a) For participants whose date of separation was before 31 December 1989, no adjustment shall be applied to deferred retirement benefits prior to the beneficiary's reaching age 50. Commencing at age 50 or the date of separation, if later, the base dollar pension under subparagraph 5 (a) above is adjusted by the United States CPI in accordance with section H above, without retroactive effect. The two-track adjustment system becomes operative on the date of commencement of the payment of the periodic benefit. At that time a local currency base amount is established by applying to the adjusted dollar amount the average exchange rate over the 36 consecutive months up to and including the month of first payment.
>
> (b) For participants separating from service on or after 31 December 1989, no adjustment shall be applied to deferred retirement benefits prior to the beneficiary reaching age 55. Commencing at age 55 or the date of

separation, if later, the adjustment procedures set out in (a) above shall be applied to the deferred retirement benefits."

266. With regard to the interpretation of the various provisions of the pension adjustment system, the Tribunal stated in paragraph I of its judgement that it "must construe the relevant paragraphs of the pension adjustment system, considering the text of the pension adjustment system as a whole", and in paragraph II, that "the relevant provisions are paragraphs 1 through 6, 17 and 27 of the 1992 edition of the pension adjustment system". In paragraph II, the Tribunal went on to note that paragraph 4 of the adjustment system contained "the introductory phrase that gives rise to the conflicting interpretations: '*Except as otherwise* noted, the pension adjustment system applies to ... deferred retirement ...'" (emphasis added). The Tribunal therefore concluded that, "like all exceptions, the quoted language should be narrowly construed. Moreover, as explained below, the Tribunal finds that paragraph 27 addresses very limited aspects of deferred benefits, specifically dates for certain calculations, without changing the basic benefits."

267. The Tribunal's decision on the issue of interpretation is then set out in paragraph X of its judgement:

> "X. Another interpretation of paragraph 27 seems more reasonable to the Tribunal. It focuses on the difference in dates (separation versus payment) mentioned previously. The relevant sentence in paragraph 27 (a) starts with the notion of a 'local currency base amount', the exact wording of paragraph 5 (b). Thus, this notion carries over to paragraph 27, along with the three-step process described above. However, paragraph 5 (b) was written to apply to retirees whose benefits begin on separation. Consequently, the 'notional dollar base amount' is established on the basis of the final average remuneration adjusted by the United States CPI on the date of separation. In contrast, when benefits are deferred, the adjustments to the United States dollar amount continue from the date the beneficiary reaches the age of 50 or the date of separation, if later, until the date of payment. The reference point is not the 'notional dollar base amount' (adjusted by the United States CPI until the date of separation) but is the 'adjusted dollar amount' (adjusted by the United States CPI until the date of payment). This interpretation is supported by language in paragraph 17, which states: '*each* beneficiary's record contains ..., if applicable, an amount in [local] currency ... determined in accordance with sections C, D [cost-of-living differential factors] and E ...'" (emphasis added).

Considerations

268. In order to implement the Tribunal's decision that the cost-of-living differential factor should apply to the Applicant, a problem arises in deciding the date to which the factor would relate in determining the initial local currency pension amount (i.e., whether it should be the date of separation or the date of the commencement of the payment of the deferred retirement benefit payment). Paragraphs 5 and 6 of the pension adjustment system relate the calculation of the cost-of-living differential factor to the date of separation, whereas paragraph 27 addresses the calculation of the initial local currency track pension amount of deferred retirement benefits in relation to the date of the commencement of payment, without any reference to the use of a cost-of-living differential factor.

269. In that regard, the Tribunal stated in paragraph XII of its judgement that "in this case the manner of the implementation of the pension adjustment system, given the conflicting dates, is not within the province of this Tribunal, which has power to interpret but not to legislate". However, in paragraph XIII, the Tribunal purported to limit application of its judgement solely to the situation of the Applicant, stating that "with regard to existing beneficiaries under the deferred benefit system, the Tribunal believes that the statute of limitations has run on similar applications".

Conclusion of the Board

270. **After an extensive exchange of views, the Board agreed that, in implementing the Tribunal Judgement in the case of the Applicant, the initial local currency track pension amount should be established by applying a methodology that involved calculation of both the cost-of-living differential factor and the 36-month average exchange rate by reference to the month of separation.**

271. **In addition, in order to clarify the situation of other beneficiaries, present and future, pending possible future proposals for changes in the pension adjustment system with respect to cost-of-living adjustments for deferred retirement benefits, the Board also decided to recommend to the General Assembly for approval, on a provisional basis, two amendments to paragraphs 4 and 5 of the current provisions of the UNJSPF pension adjustment system, as set out below (proposed additions to the current text are indicated by underlining):**

> **"4. Except as otherwise noted (e.g. in paragraphs 5 (d), 10 and 27 with regard to deferred retirement benefits), the Pension Adjustment System applies to retirement, early retirement, deferred retirement, disability, widow's, widower's, child's and secondary dependant's periodic benefits. It does not apply to withdrawal or other lump-sum payments, including those derived from the partial or total commutation of a periodic benefit, nor does it apply to any benefit arising from voluntary deposits. Adjustments operate on benefits based on standard, minimum and maximum formulae, including those that are based on flat dollar amounts.**
>
> **"5. Subparagraphs (a), (b) and (c) remain unchanged.**
>
> **Add a new subparagraph (d), reading:**
>
> **"(d) The cost-of-living differential factor in subparagraph 5 (b) (i) above shall not apply to deferred retirement benefits."**

272. The substantive issues related to the initial establishment and subsequent adjustment of deferred retirement benefits have been referred to the Working Group established by the Board to review and make proposals to the Board in 2002 on the future needs of the Fund (see paras. 57-59 above).

F. Emergency Fund

273. The Emergency Fund was initially established by the Board in 1973 from voluntary contributions of member organizations, staff associations and individual contributors to alleviate the distress of recipients of small pensions caused by currency fluctuations and cost-of-living increases. Since the introduction of the

pension adjustment system in 1975, the Fund has been used to provide relief in individual cases of proven hardship owing to illness, infirmity or similar causes.

274. The Board reviewed the operation of the Emergency Fund since the last report to the Standing Committee in July 1999 and noted that during the period from 1 May 1999 to 30 April 2000, 21 disbursements had been made (as compared with 22 in the previous reporting period) totalling $36,674; the amounts disbursed over the two-year period from 1 May 1998 to 30 April 2000 totalled $64,695. Total expenditures from the Emergency Fund since 1975 have reached $832,694.

275. As in the past, the bulk of the disbursements has been to assist in the payment of medical expenses, including hospitalization, and related expenses not reimbursable from other sources. In all cases involving claims for medical expenses not covered by the after-service medical insurance schemes of the member organizations, prior advice of the medical consultant was obtained.

276. **The Board took note of the report on the disbursements from the Emergency Fund during the two-year period from 1 May 1998 to 30 April 2000.**

Notes

[1] *Official Records of the General Assembly, Fifty-third session, Supplement No. 9* (A/53/9), paras. 14-37.

[2] Ibid., paras. 38-47.

[3] Ibid., paras. 330-341.

[4] Ibid., paras. 239-317.

[5] Ibid., para. 278 (a) and (b).

[6] See A/C.5/53/SR.21, para. 44.

[7] *Official Records of the General Assembly, Fifty-first Session, Supplement No. 30* (A/51/30), para. 89.

ANNEX I

Statistics on the operations of the Fund for the biennium 1998-1999

Table 1. Number of participants as at 31 December 1999

Member organization	Participants as at 31 December 1997	New entrants	Transfers		Separations	Participants as at 31 December 1999
			In	out		
United Nations	43 864	10 787	265	(301)	(9 657)	44 958
ILO	2 599	526	33	(31)	(515)	2 612
FAO	5 435	931	104	(122)	(1 008)	5 340
UNESCO	2 588	334	14	(6)	(301)	2 629
WHO	5 935	1 457	98	(67)	(1 014)	6 409
ICAO	852	136	7	(8)	(146)	841
WMO	312	66	12	(8)	(55)	327
GATT	529	50	9	(10)	(571)	7*
IAEA	2 053	340	19	(18)	(326)	2 068
IMO	323	30	0	0	(38)	315
ITU	905	173	20	(12)	(121)	965
WIPO	712	286	34	(6)	(71)	955
IFAD	298	79	7	(4)	(42)	338
ICCROM	29	7	0	0	(1)	35
EPPO	11	1	0	0	0	12
ICGEB	138	19	0	0	(15)	142
WTO/Tourism	72	8	0	0	(2)	78
ITLOS	18	9	3	(1)	(4)	25
ISA	3	23	8	(2)	(4)	28
UNIDO	1 064	89	4	(41)	(265)	851
Total	**67 740**	**15 351**	**637**	**(637)**	**(14 156)**	**68 935**

* These participants separated from GATT on 31 December 1998. However, pursuant to Article 32, they have not yet made a benefit election as at 31 December 1999 (which would be made within 36 months of separation).

Table 2. Benefits awarded to participants or their beneficiaries during the biennium 1998-1999

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement		Child's benefit	Widow's and widower's benefits	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
				Under 5 years	Over 5 years							
United Nations	718	616	180	6 297	1 376	1 348	158	44	69	2	19	10 827
ILO	76	61	15	257	84	91	8	1	5	0	1	599
FAO	164	208	41	415	138	177	14	5	14	0	4	1 180
UNESCO	135	61	6	64	15	82	9	2	7	0	0	381
WHO	263	101	31	469	114	305	17	4	7	0	4	1 315
ICAO	42	13	5	74	9	12	0	0	2	0	0	157
WMO	20	13	1	17	3	6	0	0	2	0	0	62
GATT	3	35	6	46	41	9	0	0	2	0	438	580
IAEA	89	49	16	125	36	33	4	0	6	0	1	359
IMO	15	3	1	10	7	1	0	0	0	0	2	39
ITU	45	13	2	53	6	6	0	0	1	1	0	127
WIPO	5	15	3	37	4	2	5	1	1	0	0	73
IFAD	14	2	1	15	6	4	0	1	0	0	3	46
ICCROM	1	0	0	0	0	2	0	0	0	0	0	3
EPPO	0	0	0	0	0	0	0	0	0	0	0	0
ICGEB	0	0	0	10	5	0	0	0	0	0	0	15
WTO/TOURISM	1	0	0	0	0	2	1	0	0	0	0	4
ITLOS	0	0	0	1	0	0	0	0	0	0	0	1
ISA	0	0	0	3	0	2	1	0	0	0	0	6
UNIDO	28	64	23	75	68	19	0	1	4	0	1	283
Total	**1 619**	**1 254**	**331**	**7 968**	**1 912**	**2 101**	**217**	**59**	**120**	**3**	**473**	**16 057**

Table 3. Analysis of periodic benefits for the biennium 1998-1999

Participants or their beneficiaries

Type of benefit	Total as at 31 December 1997	New	Benefits discontinued, resulting in award of survivor's benefit	All other benefits discontinued	Total as at 31 December 1999
Retirement	13 803	1 619	(480)	(343)	14 599
Early retirement	8 587	1 254	(240)	(102)	9 499
Deferred retirement	6 338	332	(66)	(103)	6 501
Widow	5 881	198	769	(284)	6 564
Widower	333	31	57	(28)	393
Disability	768	120	(44)	(41)	803
Child	7 391	2 112	1	(1 708)	7 796
Secondary dependant	48	3	3	(10)	44
Total	**43 149**	**5 669**	**0**	**(2 619)**	**46 199**

ANNEX II

Audit opinion, financial statements and schedules for the biennium 1998-1999

A. Audit opinion

We have audited the accompanying financial statements, comprising statements 1 to 3, schedules 1 to 6 and the supporting notes of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 1999. These financial statements are the responsibility of the Chief Executive Officer of the Pension Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Chief Executive Officer, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respect, the financial position at 31 December 1999 and the results of operations and cash flows for the period then ended in accordance with the United Nations Joint Staff Pension Fund's stated accounting policies set out in note 1 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the United Nations Joint Staff Pension Fund which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

We have also issued a long form report on our audit of the United Nations Joint Staff Pension Fund's financial statements as provided for in the Financial Regulations.

(Signed) Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Celso D. GANGAN
Chairman, Philippine Commission on Audit

30 June 2000

B. Notes to the Financial Statements for the biennium 1998-1999

Note 1. Summary of significant accounting policies

The Financial Statements have been prepared in accordance with the accounting principles of prudence, going concern, substance over form, materiality and consistency. The following are some of the significant accounting policies of the United Nations Joint Staff Pension Fund, which take fully into account the common accounting standards for the United Nations System, and are in accordance with the Regulations of the Fund as adopted by the General Assembly:

(a) Investments

Investments are recorded at cost using commercial historical exchange rates instead of United Nations operational rates of exchange. Interest income and dividends are recorded on an accrual basis and foreign taxes withheld are recorded as receivables. Foreign cash is revalued at year end and a gain or loss realized.

(b) Contributions

Contributions received from participants, member organizations and other funds are recorded on an accrual basis.

(c) Benefits

Payments of benefits, including withdrawal settlements, are recorded on an accrual basis.

(d) Principal of the Fund

The Principal of the Fund represents the active participants' contributions plus interest, together with the balance of equity of the Fund.

(e) Emergency Fund

The Appropriation is recorded when the authorization is approved by the General Assembly; payments are charged directly against the appropriation account; any unexpended balance reverts to the Pension Fund at the end of the year.

(f) Administrative Expenses

In accordance with article 15(b) of the UNJSPF Regulations, the administrative expenses of the Fund are estimated and approved on a biennial basis.

Note 2. Non-expendable property

In line with the United Nations practice, non-expendable property is not included in the fixed assets of the Fund but was charged against the appropriations for the year of purchase.

The following table shows the inventory value of the non-expendable property, at cost, expressed in millions of United States dollars, according to the cumulative inventory records of the Fund as at 31 December 1999.

	1999
Pension Fund Secretariat	5.78
Investment Management Service	0.60
Total	6.38

Note 3. Status of appropriations (Schedule 1)

In accordance with General Assembly resolution 52/222 and 53/210, the revised budget appropriations for the biennium 1998-1999 are as follows (in United States dollars):

Initial appropriation (resolution 52/222)	50,069,500
Additional appropriations (resolution 53/210)	4,161,700
(resolution 54/251)	3,282,800
Revised appropriation	57,514,000

Note 4. Other items

(a) Miscellaneous income

Compensation for loss resulting from the delay in receiving ITLOS January 1997 to January 1998 contributions and ICCROM January to May 1999 contributions.

(b) Transferred under agreements

An amount of $105,174,902 was paid during 1999 to the World Trade Organisation for the transfer of WTO staff to their own pension fund. This amount was based on an actuarial valuation.

STATEMENT I

Statement of Income and Expenditure
for the biennium 1998-1999

(United States dollars)

Income	1999	1997
Contributions		
Participants:		
Regular contributions	536 694 221	524 343 356
Additional contributions with interest to make prior service contributory	1 585 535	1 407 029
Repayment of benefits with interest to restore prior contributory service	2 461 058	2 231 423
Member organizations:		
Regular contributions	1 073 388 443	1 048 686 712
Additional contributions with interest to make prior service contributory	3 028 447	2 893 080
Amounts received from non-member organizations for participants transferred under agreements	443 203	8 404 784
Receipts of excess actuarial cost over regular contributions with interest to make prior service contributory	848 404	261 135
Total contributions	1 618 449 311	1 588 227 519
Investment income		
Interest earned	828 417 318	694 708 291
Dividends	405 736 115	409 819 354
Real estate and related securities	121 673 315	123 360 339
Profit (net) on sales of investments	838 965 744	428 036 503
Total investment income	2 194 792 492	1 655 924 487
Miscellaneous income	6 138	127 024
Total income	3 813 247 941	3 244 279 030

STATEMENT I (continued)

(United States dollars)

Expenditure	1999	1997
Payment of benefits:		
Withdrawal settlements and full commutation of benefits	109 861 573	122 111 097
Retirement benefits	866 980 404	823 421 204
Early and deferred retirement benefits	662 348 139	630 058 231
Disability benefits	43 369 128	40 926 811
Death benefits (other than children)	173 814 909	156 602 958
Children's benefits	26 560 462	23 949 937
Currency exchange adjustments	1 911 854	(2 968 745)
Amounts remitted to non-member organizations and Governments for participants transferred under agreements	112 718 121	4 689 194
Total payment of benefits	**1 997 564 590**	**1 798 790 687**
Administrative expenses:		
Administrative costs	16 403 236	14 158 399
Investment costs chargeable to gross income from investments	37 012 001	29 883 419
Audit costs	531 812	329 559
Emergency Fund	66 516	91 191
Total expenditure	**2 051 578 155**	**1 843 253 255**
Excess of income over expenditure	**1 761 669 786**	**1 401 025 775**
Prior period adjustments	896 262	888 896
Net excess of income over expenditure	**1 762 566 048**	**1 401 914 671**
Principal of the fund, beginning of period	14 002 822 782	12 600 908 111
Principal of the fund, end of period	**15 765 388 830**	**14 002 822 782**

Certified correct:

(Signed) Joseph E. CONNOR
Under-Secretary-General for Management
Representative of the Secretary-General for the
Investments of the United Nations Joint Staff Pension Fund
(for investments of the Fund only)

(Signed) Raymond GIERI
Chief Executive Officer
United Nations Joint Staff Pension Fund

STATEMENT II
Statement of assets, liabilities and principal of the Fund as at 31 December 1999

(United States dollars)

		1999	1997
Assets			
Cash and term deposits		334 583 216	65 907 362
Investments (schedules 2 and 3)			
Temporary investments - at cost (market value: $772 744 000)	772 911 025		
Bonds - at cost (market value: $5 599 937 000)	6 110 726 830		
Stocks and convertible bonds - at cost (market value: $18 268 885 000)	7 453 417 248		
Real estate and related securities - at cost (market value: $936 048 000)	903 879 031	15 240 934 134	13 812 549 420
Accounts receivable			
Contributions receivable from member organizations		35 021 563	26 671 055
Receivable from investments (schedule 4)		163 251	6 468 349
Accrued income from investments(schedule 5)		151 063 459	121 896 124
Foreign tax accounts receivable(schedule 6)		22 428 063	17 453 001
Other		1 371 653	1 005 486
Prepaid benefits		10 174 576	11 233 951
Total assets		**15 795 739 915**	**14 063 184 748**
Liabilities			
Accounts payable			
Benefits payable		25 592 782	29 654 935
Payable for securities purchased		21 337	27 587 009
Other		4 736 966	3 120 022
Total liabilities		**30 351 085**	**60 361 966**
Principal of the fund		15 765 388 830	14 002 822 782
Total liabilities and principal of the fund		**15 795 739 915**	**14 063 184 748**

Certified correct:

(signed) Joseph E. CONNOR
Under-Secretary-General for Management
Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund
(for investments of the Fund only)

(signed) Raymond GIERI
Chief Executive Officer
United Nations Joint Staff Pension Fund

STATEMENT III

Statement of cash flow for the biennium 1998 - 1999

(United States dollars)

	1999	1997
Cash flows from operating activities:		
Net excess of income over expenditure (Statement I)	1 762 566 048	1 401 914 671
(Increase) decrease in contributions receivable	(8 350 508)	21 477 365
(Increase) decrease in other accounts receivable	(366 167)	(251 111)
(Increase) decrease in prepaid benefits	1 059 375	1 132 874
Increase (decrease) in benefits payable	(4 062 153)	11 865 397
Increase (decrease) in other accounts payable	1 616 944	530 395
Net cash from operating activities	**1 752 463 539**	**1 436 669 591**
Cash flows from investing activities:		
(Increase) decrease in investments	(1 428 384 714)	(1 409 859 094)
(Increase) decrease in investments receivable	(27 837 299)	30 068 727
Increase (decrease) in payable for securities purchased	(27 565 672)	(9 540 048)
Net cash from investing activities	**(1 483 787 685)**	**(1 389 330 415)**
Net increase in cash and term deposits	268 675 854	47 339 176
Cash and term deposits, beginning of period	65 907 362	18 568 186
Cash and term deposits, end of period	**334 583 216**	**65 907 362**

SCHEDULE 1

Status of appropriations for the biennium 1998-1999
in relation to administrative expenses as at 31 December 1999
(Thousands of United States dollars)

Object of expenditure	Revised appropriations 1998-1999	Total expenditure 1998-1999	Total expenditure 1996-1997
A. Administrative costs			
Established posts	7,561.2	7,348.1	7,353.1
Common staff costs	3,049.0	2,757.1	2,680.2
Posts	**10,610.2**	**10,105.2**	**10,033.3**
Overtime and temporary assistance	983.9	1,149.1	872.5
Training	66.3	36.2	25.8
Other staff costs	**1,050.2**	**1,185.3**	**898.3**
Travel of staff	137.5	103.2	133.4
Committee of Actuaries	69.4	64.4	61.0
Travel	**206.9**	**167.6**	**194.4**
ICC services	**1,359.8**	**1,370.8**	**0.0**
Actuarial consulting services	360.6	303.1	482.9
Consultants	49.3	0.0	196.2
EDP contractual services	1,478.4	1,678.5	467.1
Contractual Services	**1,888.3**	**1,981.6**	**1,146.2**
Communications services	10.0	10.0	10.0
Hospitality	12.6	12.2	8.4
Miscellaneous supplies and services	90.9	40.6	138.3
Rental and maintenance of equipment	613.9	436.3	945.9
Rental of premises	355.7	355.7	0.0
General operating expenses	**1,083.1**	**854.8**	**1,102.5**
Supplies and materials	**258.8**	**81.3**	**122.4**
Acquisition of equipment	691.9	648.6	461.2
Office furniture and fixtures	0.0	8.0	200.0
Equipment	**691.9**	**656.6**	**661.2**
Total administrative costs	**17,149.2**	**16,403.2**	**14,158.4**

SCHEDULE 1 (continued)
(Thousands of United States dollars)

Object of expenditure	Revised appropriations 1998-1999	Total expenditure 1998-1999	Total expenditure 1996-1997
B. Investment costs			
Established Posts	3,723.8	3,386.2	2,630.6
Common staff costs	1,493.2	1,197.6	930.6
Posts	**5,217.0**	**4,583.8**	**3,561.2**
Overtime and temporary assistance	74.8	88.8	144.8
Training	28.5	12.0	28.5
Other staff costs	**103.3**	**100.8**	**173.3**
Travel of staff	247.2	143.4	148.9
Investments Committee	392.7	323.6	268.1
Travel	**639.9**	**467.0**	**417.0**
Advisory and custodial fees	31,163.1	29,907.5	23,957.6
Investment consultants	163.2	214.2	49.9
Contractual services	**31,326.3**	**30,121.7**	**24,007.5**
Communications services	165.6	96.4	203.0
Hospitality	2.1	0.3	3.0
Miscellaneous supplies and services	92.4	35.8	56.9
Bank charges	515.0	400.3	361.7
Rental of premises	174.9	174.9	0.0
General operating expenses	**950.0**	**707.7**	**624.6**
Investment reference services	**832.4**	**740.5**	**559.2**
Data processing	660.4	276.8	340.6
Office furniture and fixtures	15.0	13.6	200.0
Equipment	**675.4**	**290.4**	**540.6**
Total investment costs	**39,744.3**	**37,012.0**	**29,883.4**

SCHEDULE 1 (continued)
(Thousands of United States dollars)

Object of Expenditure	Revised appropriations 1998-1999	Total expenditure 1998-1999	Total expenditure 1996-1997
C. Audit costs			
External audit	190.0	164.0	31.4
Internal Audit	430.5	367.8	298.2
Total audit costs	**620.5**	**531.8**	**329.6**
Total administrative expenses	**57,514.0**	**53,947.0**	**44,371.4**

A/55/9

SCHEDULE 2

Summary statement of investments for the biennium 1998-1999

(Thousands of United States dollars)

Investments	Balances – at cost		1998 - 1999 Income		
	1 January 1998	31 December 1999	Profit or (loss) on sales	Dividends, interest or income	Total
Bonds (United States dollars)	1 793 434	2 163 125	3 428	292 613	296 041
Stocks and convertible bonds (United States dollars)	2 455 901	2 889 761	568 788	144 099	712 887
Bonds (other currencies)	3 016 259	3 947 602	(9 320)	434 118	424 798
Stocks and convertible bonds (other currencies)	5 000 788	4 563 656	268 825		530 462
Real estate and related securities (United States dollars and other currencies)	877 128	903 879	24 916	121 674	146 590
Temporary investments (United States dollars)	609 145	683 466	(409)	96 742	96 333
Temporary investments (other currencies)	59 894	89 445	(17 263)	4 944	(12 319)
Total portfolio	13 812 549	15 240 934	838 965	1 355 827	2 194 792

SCHEDULE 3

Comparison of cost value and market value of investments as at 31 December 1997 and 31 December 1999

(Thousands of United States dollars)

Investments	31 December 1997			31 December 1999		
	Cost	Percentage of total cost value	Market value*	Cost*	Percentage of total cost value	Market value
Bonds (United States dollars)	1 793 434	13.0	1 846 357	2 163 125	14.2	2 082 177
Stocks and convertible bonds (United States dollars)	2 455 901	17.8	5 502 966	2 889 761	19.0	8 306 771
Bonds (other currencies)	3 016 259	21.8	2 930 516	3 947 602	25.9	3 517 760
Stocks and convertible bonds (other currencies)	5 000 788	36.2	6 660 960	4 563 656	29.9	9 962 114
Real estate and related securities (United States dollars and other currencies)	877 128	6.4	916 550	903 879	5.9	936 048
Temporary investments (United States dollars)	609 145	4.4	609 120	683 486	4.5	682 102
Temporary investments (other currencies)	59 894	0.4	59 876	89 445	0.6	90 642
Total portfolio	13 812 549	100.0	18 526 325	15 240 934	100.0	25 577 614

* Cost and market value adjusted to reflect year-end adjustments.

SCHEDULE 4

Summary statement of accounts receivable from investments as at 31 December 1999, with comparative figures as at 31 December 1997

(United States dollars)

Accounts Receivable	31 December 1999	31 December 1997
Bonds (United States dollars)		
Stocks and convertible bonds (United States dollars)		
Bonds (other currencies)		
Stocks and convertible bonds (other currencies)		6 468 349
Real estate and related securities (United States dollars and other currencies)	163 251	
Temporary investments (United States dollars)		
Temporary investments (other currencies)		
Total	163 251	6 468 349

SCHEDULE 5

Summary statement of accrued income from investments as at 31 December 1999 with comparative figures as at 31 December 1997

(United States dollars)

Accrued Income	31 December 1999	31 December 1997
Bonds (United States dollars)	48 089 532	38 525 226
Stocks and convertible bonds (United States dollars)	7 488 823	11 036 704
Bonds (other currencies)	84 963 524	63 050 619
Stocks and convertible bonds (other currencies)	6 485 482	6 542 285
Real estate and related securities (United States dollars and other currencies)	4 036 098	2 404 148
Temporary investments (United States dollars)		336 648
Temporary investments (other currencies)		494
Total	151 063 459	121 896 124

SCHEDULE 6

Summary of foreign tax accounts receivable as at 31 December 1999

		Local currency						Exchange rate in effect 31 December 1999	Equivalent in United States dollars
		Prior to 1996	1996	1997	1998	1999	Totals		
Australia	$A	152 721	137 742	25	56 256		346 744	1.528260	226 888
Austria	EUR		2 198				2 198	0.997704	2 203
Belgium	EUR	11 305		74 368			85 673	0.997704	85 870
Brazil	CR$		40 215	20 833	249 592	69 393	380 033	1.793505	211 894
France	EUR					1 006 656	1 006 656	0.997704	1 008 972
Germany	EUR					253 514	253 514	0.997704	254 097
Ireland	EUR	21 808		131 257			153 065	0.997704	153 417
Italy	EUR	660 240	1 755 789	1 769 129	1 425 612		5 610 770	0.997704	5 623 681
Jordan	JD			6 383	4 713	9 544	20 640	0.709986	29 071
Kenya	K Sh		219 999		88 000	175 999	483 998	72.800000	6 648
Malaysia	M$	1 796 061	1 314 633	1 435 019	401 319	609 758	5 556 790	3.800024	1 462 304
	S$	464 959	172 404	131 853	57 083		830 299	1.666805	498 377
Mexico	N$	40 332				22 379	62 711	9.480000	6 615
Philippines	P	955 148					955 148	40.300000	23 701
Singapore	S$	986 263	725 510	764 457	902 870	754 913	4 134 013	1.666805	2 481 393
	M$	52 920			168 000		220 920	3.800024	58 136
Spain	EUR	2 508 000			39 441	374 518	2 919 985	0.997704	2 926 704
Sweden	Skr					95 235	95 235	8.543000	11 148
Switzerland	Sw1					2 970 713	2 970 713	1.600732	1 855 846
United Kingdom of Great Britain and Northern Ireland	£		31 145		177 782	2 660 200	2 871 329	0.670463	4 610 944
United States	US$				148 753	710 552	859 305	1.000000	859 305
Zimbabwe	Z$			103 828	45 277	262 606	411 711	37.950000	10 849
								Total amount outstanding	22 428 063

ANNEX III

Report of the Board of Auditors to the General Assembly on the accounts of the Fund for the biennium ended 31 December 1999

	Paragraphs	Page
Summary		78
I. INTRODUCTION	1 - 9	79
Main recommendations	10 - 11	80
II. DETAILED FINDINGS AND RECOMMENDATIONS	12 - 71	81
A. Financial issues	12 - 26	81
1. Accounts and financial reporting	12 - 24	81
2. Write-offs of losses of cash, receivables and property	25	82
3. Ex-gratia payments	26	83
B. Management issues	27 - 71	83
1. Investment management	27 - 47	83
2. Procurement	48 - 50	85
3. Experts, consultants and temporary assistants	51 - 56	86
4. Internal audit	57 - 67	87
5. Cases of fraud and presumptive fraud	68 - 71	88
III. ACKNOWLEDGEMENT	72	89
Appendix. Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997		90

Summary

The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund (UNJSPF) for the biennium ended 31 December 1999. The audit was carried out at the secretariat of the Pension Fund in New York and its Geneva office and the Investment Management Service at the United Nations in New York.

The Board's main findings are as follows:

(a) Some Member States have consistently refused to recognize the tax-exempt status of the Fund's investments under the Convention on Privileges and Immunities of the United Nations and therefore had decided not to refund the amounts withheld by them to the Fund. The Foreign Tax account receivable balance of $17.5 million as at 31 December 1997 had increased to $22.4 million as at 31 December 1999, an increase of 22 per cent.

(b) A firm contracted by the Fund and paid a total of some $1.65 million during the biennium to act as the Master Record Keeper was persistently late in submitting the required accounting and financial reports on the Fund's investment. Such delays up to 10 months in 1998 affected timely preparation of reconciliation statements and discrepancy letters.

(c) The Investment Control and Accounting System (INCAS) which is meant to assist the Fund's Investment Management Service has ceased to be operational since 31 December 1999 because it was not Y2K compliant and it had not been replaced or upgraded as at May 2000.

(d) The Lawson System was installed in August 1998 to replace the old General Accounting System (GAS) which was not Y2K compliant. There was insufficient lead time for the system to be tested and for the outstanding problems identified by the Administration to be addressed.

(e) In 1999, the contract of two individual consultants had been extended for 41 and 17 months at a cost of $609,200 and $285,000, respectively as the Fund was unable to recruit permanent staff in one case or to train a staff member to replace the consultants in the other case.

The Board made recommendations to improve contract management, to address deficiencies in the Fund's computer systems and to improve management of consultants.

The list of the Board's main recommendations is included in paragraph 10.

I. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund (UNJSPF) for the biennium ended 31 December 1999 in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article 14 of the Regulations of UNJSPF. The audit was conducted in conformity with article XII of the Financial Regulations of the United Nations and the annex thereto and with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the biennium 1998-1999 had been incurred for the purposes approved by the Pension Board; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations; and whether the financial statements of UNJSPF presented fairly the financial position as at 31 December 1999. The audit included a general review of financial systems and internal controls, and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements. The audit was carried out at the secretariat of the Pension Fund in New York and its Geneva office and the Investment Management Service at the United Nations in New York.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 12.5 of the United Nations Financial Regulations and Rules. The reviews concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNJSPF.

4. During the period under review, the Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice helped to maintain an ongoing dialogue with the Administration on audit issues.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of Pension Board and the General Assembly. The Board's observations and conclusions on all matters contained in the present report were discussed with the Administration, whose views, where appropriate, have been reflected in the report.

6. A summary of the Board's main recommendations is contained in paragraph 10. The detailed findings are reported in paragraphs 12 to 71.

7. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1995 and confirms that there are no outstanding matters.

8. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1997. Details of the actions taken and the comments of the Board are set out in the annex to the present report.

9. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the Assembly subject to the provisions contained in the resolution. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753, annex), included the following main elements:

(a) The need for specification of timetables for the implementation of recommendations;

(b) The disclosure of office holders to be held accountable; and

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

The Board noted that the Administration had generally complied with those requirements.

Main recommendations

10. The Board's recommends that UNJSPF:

(a) Include a penalty clause in future agreements with the Master Record Keeper to ensure timely delivery of the relevant accounting and financial reports (para. 33);

(b) Upgrade or replace the Investment Control and Accounting System (INCAS) as a matter or urgency to ensure proper accounting for the investments and income earned (para. 42);

(c) Address all outstanding problems identified by the Fund in the Lawson System, particularly develop appropriate software in conjunction with the United Nations Integrated Management System (IMIS) project team to enable the Fund capture data directly from IMIS (para. 47); and

(d) Intensify its efforts to fill the vacant post and train a staff member to reduce reliance on consultants (para. 56).

11. The Board's other recommendations are shown in paragraphs 19, 38, 47, 50, 53 and 67.

II. Detailed findings and recommendations

A. Financial issues

1. Accounts and financial reporting

United Nations accounting standards

12. The Board assessed the extent to which financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 1999 conformed to the United Nations accounting standards. The review indicated that the presentation of the financial statements was generally consistent with the standards.

Operational results

13. The Board noted a growth in the investment portfolio of the Fund from $13,812 million at the end of 1997 to $15,240 million (10 per cent) as at 31 December 1999. The market values of these assets increased by $7,051 million (38 per cent) as at 31 December 1999 to $25,577 million as against $18,526 million as at the biennium ended 31 December 1997.

14. Total contributions increased slightly by $30.2 million to $1,618 million (1997: $1,588 million) mainly due to the increase in the number of participants from 67,740 in 1997 to 68,935 in 1999. Payment of benefits, which constitutes 97 per cent of total expenditure of the Fund increased by $198.7 million (10 per cent) to $1,997.5 million (1997: $1,798.7 million). The net excess of income over expenditure during 1998-1999 of $1,762 million increased by $360 million (26 per cent) as compared to $1,401 million declared for the biennium 1996-1997.

15. The Board is pleased to note the significant increase in the net excess of income over expenditure during the biennium 1998-1999.

Bank reconciliation statements

16. In its report for the biennium ended 31 December 1997, the Board expressed concern that reconciling items in the bank reconciliation statements had not been promptly investigated by the Fund and adjusted in the accounts.

17. As at 31 December 1998, reconciling items totalling $901,194 representing debits ($290,506) and credits ($610,688) were outstanding, not investigated and adjusted in the accounts. These amounts increased to $1,234,228 (debits totalling $470,802 and credits totalling $763,426) as at 31 December 1999.

18. The Administration informed the Board that during 1999 the efforts of the Financial Services Section were directed towards the implementation of a new computer system (Lawson Accounting System). The development of procedures to perform bank reconciliation in the new system affected timely reconciliations and investigation of reconciling items.

19. **The Board reiterates its recommendation that long outstanding items in the bank reconciliation statements should be promptly investigated and necessary adjustments made in the Fund's accounts.**

Foreign tax accounts receivable

20. **Some Member States have consistently refused to recognize the tax-exempt status of the Fund's investments under the Convention on Privileges and Immunities of the United Nations and therefore had decided not to refund the amounts withheld by them to the Fund.**

21. In its reports for the bienniums 1994-1995 and 1996-1997, the Board expressed concern about long outstanding foreign tax accounts receivable. The Board noted that the Foreign Tax accounts receivable balance of $17.5 million as at 31 December 1997 had increased to $22.4 million as at 31 December 1999, an increase of 22 per cent.

22. While recognizing that this matter is beyond the control of the Fund, the Board is concerned that no progress has been made in this important area.

23. The IMS informed the Board that a number of Member States that had not previously granted the Fund tax exempt status have now done so, but have indicated that tax refunds would not be applied retroactively. With the help of the Fund's custodians, request for tax refunds continued to be made on a regular basis. The IMS would make more attempts through contacts with the member states but considered the likelihood of recovering outstanding taxes very remote.

24. The Board encourages the IMS to continue its efforts to recover the outstanding tax reimbursement from the concerned Governments and to make further appeals to the governments to accept the tax-exempt status of the Fund.

2. Write-offs of losses of cash, receivables and property

25. The Administration informed the Board that during the biennium ended 31 December 1999, recovery of receivables from 21 beneficiaries totalling $66,571 were waived and written off in accordance with administrative rule J.9. The amounts written off were in respect of overpayments to beneficiaries which occurred when their deaths were not promptly reported to the Fund and the family members continued to receive the monthly benefit payments. The Administration informed the Board that it had only taken write-off action after an exhaustive follow-up process.

3. Ex-gratia payments

26. The Administration informed the Board that no ex-gratia payments were made during the biennium 1998-1999.

B. Management issues

1. Investment management

Performance of the Fund

27. In its resolution 49/224 of 23 December 1994 on the United Nations pension system, the General Assembly requested the Secretary-General to present in future reports on the investments of the Fund a fuller analysis of the performance of the Fund's investments and their significant components, including, where applicable, means of comparing performance with relevant benchmarks and other pension funds. The General Assembly has adopted a benchmark for the total investment of the Fund consisting of two components for equities and bonds.

28. The Board's analysis of the Fund performance against those benchmarks are shown in the table below:

Investments	1998			1999		
	Benchmark %	Fund's Performance %	Difference %	Benchmark %	Fund's Performance %	Difference %
Equity	29.7	22.6	(7.10)	25.3	33.5	8.2
Bonds	15.3	12.0	(3.31)	(6.3)	(4.3)	2.0
Total Investment	21.6	18.7	(2.91)	12.8	19.9	7.1

29. In 1998, the Fund's total investment performance of 18.7 per cent was below the benchmark of 21.6 per cent by 2.9 percentage points. The Board was however, pleased to note that in 1999 there was significant improvement in the Fund's total investment performance as its achievements of 19.9 per cent has exceeded the benchmark of 12.8 per cent by 7.1 percentage points.

Submission of investment reports

30. The fund appointed a company as its Master Record Keeper in 1994. The company is required to provide quarterly performance reports, monthly statements of accounts, portfolio reconciliation (all funds) and combined entrust reports to the Fund by the twelfth working day of the following month. The IMS uses these reports to update its accounts, perform reconciliation of its portfolios and prepare discrepancy letters for further action by the Custodians of the Fund's investments and the Master Record Keeper. The reports also assist the Fund in its investment allocation decisions.

31. During the biennium 1998-1999, the Fund paid a total amount of $1,653,543 to the Master Record Keeper for its services. The Board noted that the Master Record Keeper was persistently late in submitting the requird reports. The delays affected timely preparation of reconciliation statements and discrepancy letters.

32. The IMS informed the Board that it had on several occasions corresponded and discussed the issue of late submission of the required reports with the Master Record Keeper. There were also cases where the Investment Management Service reduced the fees of the Master Record Keeper due to non-submission of reports.

33. **The Board recommends that the Fund should include a penalty clause in future agreements with the Master Record Keeper to ensure timely delivery of the relevant financial and accounting reports.**

34. The IMS informed the Board that the inclusion of a penalty clause in future agreements with the Master Record Keeper would be discussed with the Fund's legal council.

35. Fourteen companies provided advisory, custody of assets and record keeping services to the Fund, for which $13.7 million was paid in 1999.

36. The Board noted that the IMS's Procedures Manual and the various contract agreements with the service providers did not require the evaluation of performance and that, consequently, there was no evaluation of the quality of work performed.

37. The IMS informed the Board that although there was no explicit procedure for evaluating the performance of the service providers, its interaction with them on a regular basis, sometimes daily, provides a means of exchanging views including letting them know whether their performance was satisfactory. The IMS added that it was in the process of reviewing most of the services as well as preparing preliminary evaluation criteria for advisory and custody services.

38. **The Board recommends that the management of Investment Management Service should expedite action in formalizing the evaluation criteria of the performance for advisory and custody services.**

Computer system of the Fund

39. The Board, in its report for the biennium 1996-1997, recommended that the Fund should ensure that all its systems are tested for Year 2000 compliance, with sufficient lead time to address any deficiencies. The Board's review of the computer system of the Fund's Investment Management Service disclosed that this recommendation has not been fully implemented by the IMS.

40. The Investment Control and Accounting System (INCAS), which was introduced in 1994, assists the Fund's Investment Management Service to maintain and generate reports to confirm that the Fund's investments and any income earned on those investments are accurately accounted for, and also provides a clear audit trail on each transaction. The system has ceased to be operational since 31 December 1999 because it was not Y2K compliant and has not been replaced as at May 2000.

41. The Investment Management Service informed the Board that it had not succeeded in replacing or upgrading the Investment Control and Accounting System after several attempts during the biennium 1998-1999.

42. **The Board recommends that the Investment Management Service upgrade or replace the Investment Control and Accounting System as a matter of urgency to ensure proper accounting for the investments and income earned.**

43. The IMS informed the Board that it had appointed a Master Record Keeper who has developed a new system to replace the INCAS. IMS expected that, once the system becomes operational, the processing of accounting data needed for the financial statements and other accounting reports would be updated.

44. In August 1999, the Fund installed a new computer system (the Lawson System) to replace the old General Accounting System (GAS) which was Y2K non-compliant. The Board was concerned that since the installation occurred barely four months to the end of the year 1999, there was insufficient lead time for the new system to be tested and for problems identified by the Fund to be addressed and also for staff to be adequately trained to efficiently operate the new system. For example, the new system could not directly update administrative transactions which are processed through the United Nations Integrated Management Information System (IMIS). Accordingly, the transactions had to be converted into the Lawson System, an exercise which was complex and time consuming.

45. Staff salaries, travel and other administrative expenses of the Fund are processed through the Integrated Management Information system. The Lawson system was procured as an integrated software package primarily for the Fund's substantive work related to beneficiaries and participants. A significant part of the Fund's implementation effort had been devoted to building complex links and interfaces to IMIS in order to record correctly the Fund's administrative expenses.

46. The Fund informed the Board that the development of appropriate software for interfacing with IMIS would not rest with the Fund alone. It had on many occasions over the years tried to set up a joint team of technicians from the Fund and United Nations IMIS project team to facilitate the development of interfaces between the Fund's respective computer systems but had not been successful because of the differing priorities and concerns.

47. **The Board recommends that the Administration should address all outstanding problems identified by it in the Lawson system, particularly develop appropriate software in conjunction with the United Nations Integrated Management Information System (IMIS) project team to enable the Fund capture data directly from IMIS.**

2. Procurement

48. In its report for the biennium ended 31 December 1997, the Board had recommended that the Administration should establish procedures to guide and monitor the procurement activities of the Fund. The Board noted that the volume of direct procurement of $108,000 for the biennium 1996-1997 had increased by $533,000 to $641,000 for the biennium 1998-1999.

49. Although the Administration has implemented the Board's recommendation by establishing procedures for procurement, the guidelines did not provide for the procedures for bidding and evaluation of the performance of vendors.

50. **The Board recommended, and the Administration agreed, to update the Procurement Manual to include guidelines on bidding and evaluation of the performance of vendors.**

3. Experts, consultants and temporary assistants

Hiring of experts and consultants

51. The Board noted that the Fund engaged 12 institutional constractors during 1998 and obligated $2,949,000 in respect of their services. The Board found in its review of the procedures for hiring of consultants by UNJSPF that:

(a) out of the 12 institutional contractors engaged during the 15-month period ended 31 March 1999, the hiring of 4 (33 per cent) were processed under the exception clause without recourse to competitive bidding;

(b) out of 18 extensions to the contracts in respect of the institutional contractors, in nine cases the extensions were not referred to the Headquarters Contracts Committee; in three of the extensions, administrative action was not started early to allow for the cases to be considered by the Committee.

52. The Administration informed the Board that it is only when there is an urgent requirement and the United Nations is not able to act within the time frame required by the Fund that it proceeds to hire institutional contractors. However, in each case, the exception is fully documented with the reasons for the action clearly indicated.

53. **The Board recommended that the Fund should plan its requirements for programmes in advance to allow adequate lead time for processing institutional contractual agreements so as to reduce the hiring such contractors under the exception clause.**

54. In 1999, the contract of two individual consultants had been extended for 41 and 17 months, respectively, contrary to the guidelines for the use of consultants in the Secretariat (A/53/385). Total remunerations paid to the two consultants over the extended periods were $609,200 and $285,000, respectively. The Fund has provided for a P-4 post to be filled to take over from one of the consultants. This position had not been filled as at May 2000. Also, the training to be provided to a staff member by the second consultant was not done.

55. The Administration informed the Board that the extensions were reviewed and approved by the Office of Human Resource Management. The Administration added that four separate attempts had been made to fill the P-4 post, but qualified applicants turned down the offer. An attempt was also made to reclassify the post to a higher level, but that was not successful. The post has been readvertised and applications were being reviewed. In the other case, the IMS explained that the consultant's services should have ended 31 December 1999, but that the Systems Analyst at Investment Management System who was being trained to replace the consultant, transferred to the United Nations Secretariat. It was important to retain the IMS consultant until an appropriate replacement was found.

56. **The Board recommends that the Fund should intensify its efforts to fill the vacant post and to train a staff member to reduce reliance on consultants.**

4. Internal Audit

Introduction

57. A unit within the Audit and Management Consulting Division of the Office of Internal Oversight Services provides internal audit services to the Fund. The Unit has a staff strength of three auditors: 1 P4, 1 P3, and 1 General Service. The P3 post was vacant between January to September 1998.

58. As part of its horizontal review of the internal audit function in the organizations of United Nations systems, the Board examined the adequacy of the coverage of the Fund's operations and other related activities by the Office of Internal Oversight Services. The Board's findings are discussed below.

Coverage of the Fund's activities

59. The Board acknowledges the valuable work done by the Office of Internal Oversight Services (OIOS) in providing sound internal audit service to the Fund and Investment Management Service. The Board noted that in 1998 OIOS covered four (Geneva office and three thrust areas) out of the five activities planned for coverage.

60. In 1999, out of the coverage of eight activities, the Office of Internal Oversight Services covered fully four activities, work on two was in progress and the remaining two were rescheduled for the biennium 2000-2001.

61. The Office of Internal Oversight Services informed the Board that it was not able to fully implement its plans in 1998 because one of its audits coincided with a review of the Fund's Investment Management Service by a firm of accountants. The 1999 work plan, on the other hand, underestimated the complexity of some of the activities of Fund's operations. Another factor was the engagement of two staff members who were new to the Fund's activities. The Office of Internal Oversight Services added that it had ascertained the extent and complexity of the work involved and would allocate the necessary resources to undertake future audits of the Fund's operations.

Audit guidelines

62. The Board noted that out of the eight major operational areas of the Fund, which required audit guidelines, the Office of Internal Oversight Services had prepared guidelines covering five areas, leaving three (investment management, actuarial services and contract services) outstanding as at May 2000.

63. The Office of Internal Oversight Services informed the Board that the three audit guidelines had not been prepared because the audit of those areas had been rescheduled for lack of staff resources. However, the preparation of the two (contract services and investment management) of three guidelines was in progress and would be completed in the year 2000. The guidelines for the remaining area (actuarial services) would be prepared in year 2001, when this audit would be carried out.

64. The Board welcomes the action being taken by the Office of Internal Oversight Services in this area.

Reporting procedure

65. The Office of Internal Oversight Services' audit manual requires that observations should be issued during the audit to report on findings and recommendations, to provide managers an opportunity to comment on audit findings and to serve as a filter to avoid loading too many details in the audit reports to senior managers. The Manual further provides that every audit assignment should result in a final audit communication, normally an audit report. The Board noted that the Office of Internal Oversight Services completed 10 audits and issued 30 observations during the biennium 1998-1999. Although the Administration responded to all the 19 observations issued in 1998 and 11 issued in 1999 by May 1998 and October 1999, respectively, no audit reports had been issued to the Fund on these audits as at May 2000.

66. The Office of Internal Oversight Services informed the Board that, for practical reasons, and at the request of management, it had decided that the audit findings would be communicated to the management of the Fund in the form of audit observations. The Office of Internal Oversight Services considered this method of reporting to be the most appropriate tool for immediately informing management about audit findings and recommendations. During the discussion of the audit plan for 2000, the Office of Internal Oversight Services decided to issue audit reports incorporating the audit observations and the auditees' responses for all assignments carried out by it.

67. **The Board recommended, and the Office of Internal Oversight Services agreed, that audit observations and the responses of management should be included in audit reports and submitted to senior management.**

5. Cases of fraud and presumptive fraud

68. The Administration informed the Board of five cases of fraud and presumptive fraud involving a total of $114,604.27 for the biennium ended 31 December 1999.

69. Two of the cases totalling $46,095.27 related to the forging of seven of the Fund's cheques by third parties. The Fund suffered no losses since the total sum of $46,095.27 was recovered from the bank.

70. The remaining three cases, involving an amount of $68,509, were in respect of falsification of country of residence by beneficiaries. The Administration has recovered $28,011, leaving a balance of $40,498 outstanding as at May 2000.

71. The Board will keep this matter under review in its future audits.

III. Acknowledgement

72. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer and Secretary of the United Nations Joint Staff Pension Board, the United Nations Controller, the representative of the Secretary-General for the investments of the Fund and their officers and members of their staff.

(Signed) Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Celso D. GANGAN
Chairman, Philippine Commission on Audit

Appendix

Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997 [a]

I. RECOMMENDATION 9 (a)

1. The Pension Fund secretariat should investigate all cases of overpayments to beneficiaries, and where it has established that a staff member should bear personal responsibility for loss, as a result of any negligence, the Administration should take recovery action, as appropriate.

Measures taken by the Administration

2. The Administration considered that mistakes do occur on rare occasions, particularly during peak workload periods, resulting in overpayments by the United Nations Joint Staff Pension Fund. All cases of overpayments are investigated, with arrangements made for recovery as rapidly as possible, often in installments from UNJSPF survivor's benefits or through scheduled repayments by the recipients of the funds in question. Provisions exist for disciplinary action and, where appropriate, for imposing financial responsibility when justified. To date, there have been no established cases of overpayments due to either gross negligence or willful misconduct by Fund staff. The mistakes made would be reflected in their performance appraisals.

Comments of the Board

3. The Board will continue to monitor this matter in its future audits.

II. RECOMMENDATION 9 (b)

4. The contracts with the Fund's custodians should be reviewed with a view to providing adequate insurance coverage for the Fund's assets held by the custodians or under their control.

Measures taken by the Administration

5. The Administration informed the Board that an outside legal counsel with expertise in custodian services has confirmed that the insurance coverage incorporated in the Fund's custodian contracts was adequate and appropriate for the type of risk covered.

Comments of the Board

6. The Board will keep this matter under review in its future audits.

---

[a] Official Records of the General Assembly, Fifty-third Session, Supplement No. 9, (A/53/9), annex III, para. 9.

III. RECOMMENDATION 9 (c)

7. The Administration should always arrange the Cashier's functions to facilitate the operation of sound internal check. Also, with the increasing volume of work at the Geneva office, duties should be segregated for more effective control over payments.

Measures taken by the Administration

8. In spite of the staff shortages at the Cashier's Unit, there is a clear distinction between the duties of the Cashier and the Deputy Cashier to ensure the operation of sound internal checks. As regards the segregation of duties for more effective control of payments in the Geneva office, a new professional post was approved in the Programme Budget for the biennium 2000-2001. The additional post will facilitate the operation of a system of sound internal checks at the Geneva office.

Comments of the Board

9. The Board notes the action taken by the Administration and will continue to monitor the matter in its future audits.

IV. RECOMMENDATION 9 (d)

10. The Administration should consider the procurement of suitable equipment to assist the codifiers in the verification of signatures and thumbprints. The Board further recommends that the codifiers be provided with training to enhance their efficiency.

Measures taken by the Administration

11. The Fund will continue to monitor technological developments in the area of signature verification. Additional training for the codifiers will also be explored, both in-house and through possible outside training courses. Statistical samplings and studies will be considered, as resources permit, with the aim of protecting the Fund's financial interests against possible fraud or abuse.

Comments of the Board

12. The Board will keep this matter under review.

V. RECOMMENDATION 9 (e)

13. UNJSPF should ensure that all systems are tested for Year 2000 compliance, with sufficient lead time to address any deficiencies.

Measures taken by the Administration

14. The Administration informed the Board that all its computer systems were tested for Y2K compliance in accordance with its comprehensive project plan for the Fund's operational activities.

Comments of the Board

15. The Board's comments on Y2K problems arising in the Investment Control and Accounting System (INCAS) are in the present report.

VI. RECOMMENDATION in paragraph 15 of 1997 report

16. The Board reiterates its earlier recommendation made in its report for the biennium ended 31 December 1995 that continued efforts be made to recover the outstanding tax reimbursements.

Measures taken by the Administration

17. Outstanding taxes which had been withheld prior to 1995 and not refunded amounted to about $4.2 million. The Investment Management Service has tried unsuccessfully through the custodians to obtain refunds. A number of member states that had not previously granted the Fund tax exempt status have now done so, but have indicated that tax refunds were not going to be retroactive. With the help of the custodians, requests for tax refunds continue to be made on a regular basis. While more attempts will be made through contacts with the member states, the likelihood that these long outstanding taxes will be refunded is very remote.

Comments of the Board

18. The comments of the Board on this matter are reflected in the report.

VII. RECOMMENDATION in paragraph 20 of 1997 report

19. The long outstanding items in the bank reconciliation statements should be promptly investigated and necessary adjustments made in the Fund's accounts.

Measures taken by the Administration

20. The Administration recognized the need for prompt reconciliation of bank statements. During 1999, extensive efforts were made to clear the backlog of outstanding bank reconciliation cases and this remains a matter of priority. Implementation of the new Lawson Accounting System would permit bank reconciliations to be done more efficiently, through the Lawson Cash Book module.

Comments of the Board

21. The comments of the Board on this matter are reflected in the report.

VIII. RECOMMENDATION in paragraph 35 of 1997 report

22. The Administration should establish procedures to guide and monitor the procurement activities and enhance efficiency in the procurement system.

Measures taken by the Administration

23. Procedures for procurement have been prepared but needs updating in areas of bidding and evaluation of the performance of vendors.

Comments of the Board

24. The comments of the Board on this matter are reflected in the current report.

ANNEX IV

Statement of the actuarial sufficiency as at 31 December 1999 of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations

1. In the report of the twenty-fifth actuarial valuation of the United Nations Joint Staff Pension Fund, the Consulting Actuary has assessed the actuarial sufficiency of the Fund, for purposes of determining whether there is a requirement for deficiency payments by the member organizations under article 26 of the Regulations of the Fund. The assessment as of 31 December 1999 was based on participant and asset information submitted by the secretariat of the Fund and on the Regulations in effect on that date.

2. The demographic and decremental actuarial assumptions used were those adopted by the Standing Committee of the United Nations Joint Staff Pension Board at its 182nd meeting, except that future new entrants were not taken into account and no future salary growth was assumed. An 8.5 per cent discount rate was used.

3. The liabilities were calculated on a plan termination methodology. Under this methodology, the accrued entitlements of active participants were measured on the basis of their selecting the benefit of highest actuarial value available to them, assuming termination of employment on the valuation date. The liabilities for pensioners and their beneficiaries were valued on the basis of their accrued pension entitlements as of the valuation date. For purposes of demonstrating sufficiency under article 26 of the Regulations, no provision was made for pension adjustments subsequent to 31 December 1999.

4. All calculations were performed by the Consulting Actuary in accordance with established actuarial principles and practices.

5. The results of the calculations are set forth in the table below:

Actuarial sufficiency of Fund as of 31 December 1999
(Millions of United States dollars)

Item	Amount
Actuarial value of assets*	22 186.80
Actuarial value of accrued benefit entitlements	12 318.80
Surplus	9 868.00

* Five-year moving average market value methodology, as adopted by the Pension Board for determining the actuarial value of the assets.

6. As indicated in the table above, the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. **Accordingly, there is no requirement, as of 31 December 1999, for deficiency payments under article 26 of the Regulations of the Fund.**

ANNEX V

Statement of actuarial position of the United Nations Joint Staff Pension Fund as at 31 December 1999

Introduction

1. The actuarial valuation as at 31 December 1999 was performed on a range of economic assumptions regarding future investment earnings and inflation. In addition, three sets of participant growth assumptions were used. The remaining actuarial assumptions, which are of a demographic nature, were derived on the basis of the emerging experience of the Fund, in accordance with sound actuarial principles. The assumptions used in the valuation were those adopted by the Standing Committee of the United Nations Joint Staff Pension Board at its 182nd meeting in 1999, based on the recommendations of the Committee of Actuaries.

Actuarial position of the Fund as at 31 December 1999

2. At its meetings in June 2000, the Committee of Actuaries reviewed the results of the actuarial valuation as of 31 December 1999, which was carried out by the Consulting Actuary. Based on the results contained in the valuation report, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the Consulting Actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration is sufficient to meet the benefit requirements under the Plan.

3. Recognizing the improvement in the actuarial position of the Fund, as evidenced by a surplus of current and projected assets over projected liabilities, estimated at 4.25 per cent of pensionable remuneration, the Committee of Actuaries and the Consulting Actuary are of the further opinion that a portion of the surplus, up to 2.25 per cent of pensionable remuneration in present value terms, could be applied towards increasing benefits, reducing contributions or a combination thereof, without detriment to the long-term financial viability of the Fund.

ANNEX VI

Sensitivity analysis of the valuation results

Impact of three key parameters on the results of subsequent actuarial valuations: asset declines, currency exchange declines and inflation

Prepared by the Consulting Actuary and
reviewed by the Rapporteur of the Committee of Actuaries

Asset declines

Per cent decrease[1] in market value of assets	Eventual required[2] contribution rate %
0	16.30
-10	18.40
-15	**19.45**
-20	20.50
-30	22.60
-40	24.70

(1) Assumes that the market value of assets will experience a sudden decrease as shown above and thereafter will earn the assumed rate of 8.5 per cent per annum.

(2) This is the eventual required contribution rate after 5 years, as a result of the decrease in market value and assuming no other sources of gain or loss. It will take 5 years before the full impact emerges, because of the asset averaging methodology.

Calculations assume no other sources of gain/loss.

Currency exchange

Per cent appreciation in local exchange rates vis-à-vis United States dollars	Resulting[1] required Contribution rate %
0	**19.45**
10	19.60
20	19.80
30	20.00
40	20.15
50	20.30

(1) This is the net rate after allowing for the estimated offsetting effect of currency exchange rates on non-United States denominated assets.

Assumptions

- 85 per cent of General Services pay is affected by change in currency exchange rate (assumes 15 per cent of General Services pay is set in United States dollars).
- 30 per cent of pension payroll is affected by change in currency exchange rate.
- 50 per cent of assets are affected by change in currency exchange rates.

Calculations assume no other sources of gain/loss.

Inflation

Effect of inflation at/or below 5 per cent per annum

Actual inflation %	Annual decrease in required contribution rate[1] %
5	**0**
4	0.17
3	0.35
2	0.52

(1) This is the estimated annual impact of actual inflation as shown for the next several years. The actual impact will tend to change over time as the liabilities of the Plan evolve.

Calculations assume no other sources of gain/loss.

ANNEX VII

Agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of participants in the Pension Plan of the World Trade Organization

Article 1

In the present agreement:

(a) "Pension Fund" means the United Nations Joint Staff Pension Fund;

(b) "Fund Participant" means a participant in the Pension Fund;

(c) "Pension Plan" means the Pension Plan of the World Trade Organization;

(d) "Plan participant" means a participant in the Pension Plan.

Article 2

1. A former Fund participant who has not received a benefit under the Regulations of the Pension Fund may elect to be covered by the provisions of the present agreement upon entering the service of the World Trade Organization within six months after participation in the Pension Fund has ceased and electing within such period to transfer the accrued entitlements from the Pension Fund to the Pension Plan.

2. Upon so electing, the former Fund participant shall cease to be entitled to any benefit under the Regulations of the Pension Fund.

3. Upon the former Fund participant becoming a Plan participant, the Pension Fund shall pay to the Pension Plan an amount equal to the larger of:

   (a) The equivalent actuarial value, calculated in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund, of the retirement benefit which the Fund participant had accrued in the Pension Fund based on the contributory service and final average remuneration up to the date participation in the Pension Fund ceased; or

   (b) The withdrawal settlement to which the former Fund participant would have been entitled under article 31 of the Regulations of the Pension Fund, upon separation from the service of a member organization of the Pension Fund.

4. The former Fund participant shall be credited with contributory service with the Pension Plan as calculated in accordance with articles 2(a) and 8 of the Regulations of the Pension Plan.

Article 3

1. A former Plan participant may elect to be covered by the provisions of the present agreement upon entering the service of a member organization of the Pension Fund within six months after separation from the service of the World Trade Organization and electing within such period to transfer the accrued entitlements from the Pension Plan to the Pension Fund.

2. Upon so electing, the former Plan participant shall cease to be entitled to receive benefits under the Regulations of the Pension Plan.

3. Upon the former Plan participant becoming a Fund participant, the Pension Plan shall pay to the Pension Fund an amount equal to the larger of:

   (a) The equivalent actuarial value, calculated in accordance with articles 2(a) and 8 of the Regulations of the Pension Plan, of the retirement benefit which the former Plan participant had accrued in the Pension Plan based on the contributory service and final average remuneration up to the date participation ceased;

   (b) The withdrawal settlement to which the former Plan participant would have been entitled under article 27 of the Regulations of the Pension Plan, upon separation from the service of the World Trade Organization.

4. The former Plan participant shall be credited for purposes of the Pension Fund with contributory service equal to such period as the actuarial advisers to the Pension Fund shall determine as of the date of the election and in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund to be equal in value to the amount paid by the Pension Plan.

Article 4

Plan participants who entered the service of the World Trade Organization and staff members who entered the service of a member organization of the Pension Fund before the effective date of this agreement, and who have not received any payments from the Pension Fund or from the Pension Plan, as the case may be, resulting from their participation, may elect to avail themselves of the provisions of this agreement by so informing the Pension Fund and the Pension Plan in writing before 1 July 2001. Upon so electing, the provisions of article 2, paragraphs 2, 3 and 4, and article 3, paragraphs 2, 3, and 4, above shall apply.

Article 5

This agreement shall take effect from 1 January 2001. It shall continue in effect thereafter until modified or cancelled by written mutual consent of the parties thereto or cancelled upon not less than one year's prior notice given in writing by either of them.

ANNEX VIII

Member organizations of the Fund

The member organizations of the Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization (EPPO)

Food and Agriculture Organization of the United Nations (FAO)

International Atomic Energy Agency (IAEA)

International Centre for Genetic Engineering and Biotechnology (ICGEB)

International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM)

International Civil Aviation Organization (ICAO)

International Fund for Agricultural Development (IFAD)

International Labour Organization (ILO)

International Maritime Organization (IMO)

International Seabed Authority (ISA)

International Telecommunication Union (ITU)

International Tribunal for the Law of the Sea (ITLOS)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Industrial Development Organization (UNIDO)

World Health Organization (WHO)

World Intellectual Property Organization (WIPO)

World Meteorological Organization (WMO)

World Tourism Organization (WTO)

ANNEX IX

Membership of the Board and attendance at the fiftieth session a/

1. The following members and alternate members were accredited by the staff pension committees of the member organizations of the Fund, in accordance with the rules of procedure:

Representing	Members	Alternates
United Nations		
General Assembly	H.E. Mr. K. Akimoto (Japan)	Mr. C. Dante Riva (Argentina)
General Assembly	Mr. P. Owade (Kenya)	Mr. G. Kuntzle (Germany)
General Assembly	Ms. S. Shearouse (United States of America)	Mr. N. Odaga-Jalomayo (Uganda) b/
General Assembly	Mr. V. Vislykh (Russian Federation)	Mr. A.H.B. Sial (Pakistan)
Secretary-General	Mr. J.-P. Halbwachs (Mauritius)	Mr. M. Baquerot (France)
Secretary-General	Ms. R. Salim (Malaysia)	Mr. K. Walton (United Kingdom)
Secretary-General	Mr. A. Miller (Australia)	
Secretary-General	Mr. W. Sach (United Kingdom of Great Britain and Northern Ireland)	
Participants	Mr. J.-M. Jakobowicz (France)	Mr. C. Dahoui (France)
Participants	Mr. J. Bravo (Chile)	Mr. F. Lyn (Jamaica)
Participants	Mr. J. Mathews (United States)	
Participants	Mr. C. Hackett (Barbados)	
Food and Agriculature Organization of the United Nations		
Governing body	Mr. H. Molina Reyes (Chile)	
Executive head	Mrs. C. Gardner (Jamaica)	
Participants	Mr. C. Cherubini (Italy)	
World Health Organization		
Governing body	Dr. J. Lariviere (Canada)	Dr. L. Malolo (Tonga)
Executive head	Ms. H. Wild (United Kingdom)	Ms. M. Dam (United States)
Participants	Ms. V. Paterson (United Kingdom)	Mr. J. Campagnaro (Brazil)

a/ Chairman: Mr. W.P. Scherzer [representative of the Participants of the International Atomic Energy Agency (IAEA)]
1st Vice-Chairman: Ms. S. Shearouse [representative of the General Assembly of the United Nations]
2nd Vice-Chairman: Mr. M. Peeters [Representative of the Executive Head of the World Meteorological Organization (WMO)]
Rapporteur: Dr. J. Larivière [representative of the Governing Body of the World Health Organization (WHO)]

b/ Did not attend session.

Representing	Members	Alternates
International Labour Organization		
Executive head	Mr. W. Jones (Australia)	Mr. A. Busca (Italy)
Participants	Mr. J.-V. Gruat (France)	Mr. G. Bezou (France)
United Nations Educational, Scientific and Cultural Organization		
Governing body	Mr. Y. Lijadu (Nigeria)	
Participants	Mr. A. McLurg (United Kingdom)	Mrs. J. Taillefer (France)
United Nations Industrial Development Organization		
Participants	Mr. A. Spina (Canada)	
International Civil Aviation Organization		
Participants	Mr. R. G. Menzel (Germany)	
International Atomic Energy Agency		
Executive head	Mr. D. Goethel (Germany)	Ms. R. Sabat (Jordan)
International Telecommunication Union		
Governing body	Mr. A. Kovalenko (Russian Federation)	
Executive head	Mr. D.J. Goossen (Netherlands)	
International Maritime Organization		
Executive head	Mr. D. Muthumala (Sri Lanka)	
World Meteorological Organization		
Governing body	Ms. M. Wesseler (Germany)	
World Intellectual Property Organization		
Participants	Mr. V. Yossifov (Bulgaria)	Mr. H. Duyn (Netherlands)
International Fund for Agricultural Development		
Executive head	Mr. J.-L. Lawson (Benin)	Ms. J. Sisto (Philippines)

2. The following attended the session of the Board as representatives, observers or secretaries of staff pension committees, in accordance with the rules of procedure:

Representatives	Organization	Representing
Mr. W. Ringkamp	ILO	Governing body
Mr. A. Egoshkin	UNESCO	Executive head
Mrs. U. Peer	UNIDO	Executive head
Mrs. G. Richard	ICAO	Governing body
Mr. J.J.M. Ocampo	ICAO	Executive head
Ms. C. Cliff	IAEA	Governing body
Mr. W.P. Scherzer	IAEA	Participants
Mr. R. Roul	WIPO	Governing body
Mr. W. Justrich	ITU	Participants
Mr. M. Peeters	WMO	Executive head
Mr. S. Mbele-Mbong	WMO	Participants
Dr. E. Conte	IMO	Governing body
Mr. D. Bertaud	IMO	Participants
Mr. G. Saddler	FAFICS	Pensioners
Mr. A. Ali	FAFICS	Pensioners
Mr. A. Marcucci	FAFICS (Alternate)	Pensioners
Mr. W. Zyss	FAFICS (Alternate)	Pensioners
Mr. E. Karlov c/	FAFICS (Moscow)	Pensioners
Mr. E. Ramos	WTO (Tourism)	Executive head

Observers	Organization
Ms. N. Tschyrkow	Federation of International Civil Servants' Associations (FICSA)
Ms. M. Madarshahi (1st week) Mr. J. Campos (2nd week)	Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA)
Mr. S. Hanono	Inter-American Development Bank (IDB)
Ms. P. Seidita Lopesino	International Commission for the Conservation of Atlantic Tunas (ICCAT)
Mr. P. Rolian	World Trade Organization (WTO)

c/ Attended with the permission of the Board, for agenda item 9(f).

Secretary	Staff Pension Committee
Mrs. A. Morch-Politis (Deputy)	FAO
Ms. A. Van Hulle-Colbert	WHO
Ms. C. McGarry	ILO
Mrs. C. Kerlouegan	UNESCO
Ms. R. Sabat (5-11 July)	IAEA
Ms. M. Wilson	ITU
Mr. L. Gunnestedt	IMO
Mr. A. Nathoo (Deputy)	IMO
Mrs. T. Dayer	WIPO
Ms. J. Sisto (5-7 July)	IFAD
Ms. C. Molina	WTO (Tourism)
Ms. F. Misiti	ICGEB

3. The following attended all or part of the session of the Board:

International Civil Service Commission

Mr. M. Ordelt

Committee of Actuaries

Mr. L.J. Martin, Rapporteur

Consulting Actuary

Mr. R. Sharp
Mr. J. McGrath

Medical Consultant

Dr. A. Salama

Investments Committee

Mr. E.N. Omaboe, Chairman
Mr. A. Abdullatif, member
Ms. F.J. Bovich, member
Mr. F. Chico Pardo, member
Mr. T. Ohta, member
Mr. Y. Oltramare, member
Mr. J.Y. Pillay, member
Mr. J. Reimnitz, member
Mr. P. Stormonth Darling, member
Mr. E.J. Cardenas, ad hoc member
Mr. F. Harshegyi, ad hoc member
Ms. H. Ploix, ad hoc member

Under-Secretary-General for Management and Representative of the Secretary-General for the investments of UNJSPF

Mr. J.E. Connor

Investment Management Service

Mr. H.L. Ouma
Mr. T. Navasardian
Ms. P. Sinikallio

4. Mr. R. Gieri and Mr. J.P. Dietz (CEO/Secretary and Deputy CEO/Deputy Secretary to the Board) served as Secretary and Deputy Secretary of the session, with the assistance of Ms. D. Bull, Mr. G. Ferrari, Mr. P. Dooley, Mr. F. De Turris and Ms. P. Ryder.

ANNEX X

Membership of the Standing Committee

Representing	Members	Alternates
United Nations (Group I)		
General Assembly	Mr. V. Vislykh	Mr. K. Akimoto
General Assembly	Ms. S. Shearouse	Mr. A.H.B. Sial
Secretary-General	Mr. J.-P. Halbwachs	Ms. R. Salim
Secretary-General	Mr. A. Miller	Mr. K. Walton
Participants	Mr. J.-M. Jakobowicz	Mr. J. Mathews
Participants	Mr. J. Bravo	Mr. C. Hackett
Specialized agencies (Group II)		
Governing Body	Dr. J. Larivière (WHO)	Mr. H. Molina-Reyes (FAO)
Executive Head	Ms. H. Wild (WHO)	Ms. M. Dam (WHO)
Participants	Mr. C. Cherubini (FAO)	
Specialized agencies (Group III)		
Governing Body	Mr. W. Ringkamp (ILO)	Mr. R. Schibli (ILO)
Executive Head	Mr. A. Egoshkin (UNESCO)	
Participants	Mr. W.P. Scherzer (IAEA)	
Specialized agencies (Group IV)		
Executive Head	Mrs. T. Dayer (WIPO)	
Participants	Mr. R.G. Menzel (ICAO)	Mr. W. Justrich (ITU)
Specialized agencies (Group V)		
Governing Body	Dr. E. Conte (IMO)	

ANNEX XI

Membership of the Committee of Actuaries

The membership of the Committee is as follows:

Mr. A. O. Ogunshola (Nigeria)	- Region I (African States)
Mr. T. Nakada (Japan)	- Region II (Asian States)
Mr. E. M. Chetyrkin (Russian Federation)	- Region III (Eastern European States)
Mr. H. Pérez Montas (Dominican Republic)	- Region IV (Latin America)
Mr. L. J. Martin (United Kingdom)	- Region V (Western European and other States)

In addition, Mr. R.J. Myers (United States) has been appointed as a member emeritus.

ANNEX XII

Membership of the Investments Committee

The membership of the Investments Committee is as follows:

Mr. A. Abdullatif (Saudi Arabia)
Ms. F. Bovich (United States)
Mr. F. Chico Pardo (Mexico)
Mr. T. Ohta (Japan)
Mr. Y. Oltramare (Switzerland)
Mr. E. N. Omaboe (Ghana)
Mr. J.Y. Pillay (Singapore)
Mr. J. Reimnitz (Germany)
Mr. P. Stormonth Darling (United Kingdom)

Ad hoc members

Mr. E.J. Cardenas (Argentina)
Mr. F. Harshegyi (Hungary)
Ms. H. Ploix (France)

Member Emeritus

Mr. J. Guyot (France)
Mr. B. K. Nehru (India)

ANNEX XIII

Amendment to the Administrative Rules
of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
Administrative rule J.9(a)	Administrative rule J.9(a)	
(a) Any payments made by the Fund to a participant, beneficiary of a participant or third person otherwise than in accordance with the Regulations of the Fund may be deducted from any future benefits payable to or on account of the participant under these Regulations or may be recovered directly from the person or estate of the person to whom any such payments were made.	(a) Any payments made by the Fund to a participant, beneficiary of a participant or third person otherwise than in accordance with the Regulations of the Fund may be deducted from any future benefits payable to or on account of the participant under these Regulations or may be recovered directly from the person or estate of the person to whom any such payments were made. The Secretary may, where such an overpayment had been attributable to the submission of incorrect information to the Fund, recover interest, as well as administrative costs of 10 per cent of the overpayment.	Change adopted by the Board; see paras. 257 to 262 in this report.

*Proposed addition is marked by underlining.

ANNEX XIV

Recommendations to the General Assembly for amendment of the Regulations of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
Article 6	Article 6	
(a) The United Nations Staff Pension Committee shall consist of four members and four alternate members elected by the General Assembly, four members and two alternate members appointed by the Secretary-General, and four members and two alternate members, who shall be participants in the Fund and on the staff of the United Nations, elected by the participants in service in the United Nations by secret ballot.	(a) No change	
(b) The elected members and alternate members of the United Nations Staff Pension Committee shall hold office for three years or until the election of their successors, and they shall be eligible for re-election; in the event that such an elected member or alternate member ceases to be a member of the Committee, another member or alternate member may be elected to hold office during the remainder of the term.	(b) The elected members and alternate members of the United Nations Staff Pension Committee shall hold office for [three] four years or until the election of their successors, and they shall be eligible for re-election; in the event that such an elected member or alternate member ceases to be a member of the Committee, another member or alternate member may be elected to hold office during the remainder of the term.	To permit members and alternates on the United Nations Staff Pension Committee to participate in two Pension Board sessions. See paras. 253 and 254.
(c) The staff pension committees of the other member organizations shall consist of members and alternate members chosen by the body of the organization corresponding to the General Assembly, its chief administrative officer, and its participants in service, in such a manner that the number representing each shall be equal and, in the case of the participants, that the members and alternate members shall themselves be participants in the service of the organization. Each member organization shall make rules for the election or appointment of the members and alternate members of its staff committee.	(c) No change	

*Proposed additions are marked by underlining and proposed deletions by square brackets.

ANNEX XIV (cont.)

Recommendations to the General Assembly for amendment of the Regulations of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
Article 14	Article 14	
(a) The Board shall present to the General Assembly and to the member organizations, at least once every two years, a report including a balance sheet, on the operation of the Fund, and shall inform each member organization of any action taken by the General Assembly upon the report.	(a) No change	
(b) An audit of the accounts of the Fund shall be made annually by the United Nations Board of Auditors, in a manner agreed between the Board of Auditors and the Board; a copy of the audit report shall be included in the report under (a) above.	(b) An audit of the accounts of the Fund shall be made [annually] every two years by the United Nations Board of Auditors, in a manner agreed between the Board of Auditors and the Board; a copy of the audit report shall be included in the report under (a) above.	To reflect current practice, owing to biennialization. See paras. 255 and 256.
Article 30	Article 30	
(a) A deferred retirement benefit shall be payable to a participant whose age on separation is less than the normal retirement age and whose contributory service was five years or longer.	(a) No change	
(b) The benefit shall be payable at the standard annual rate for a retirement benefit and shall commence at the normal retirement age, or, if the participant so elects, at any age not less than 55, provided that in such event it shall be reduced in the same manner and under the same conditions as specified in article 29(b).	(b) No change	
(c) The benefit may be commuted by the participant into a lump sum: (i) If the rate of the benefit at the normal retirement age is 300 dollars or more, equivalent to the participant's own contributions; or (ii) If such rate is less than 300 dollars, equivalent to the full actuarial value of the benefit.	(c) The benefit may be commuted by the participant into a lump sum [: (i) if the rate of the benefit at the normal retirement age is 300 dollars or more, equivalent to the participant's own contributions; or (ii)] if the [such] rate of the benefit at the normal retirement age is less than 300 dollars. Such commutation shall be equivalent to the full actuarial value of the benefit.	See paras. 178 to 183 in this report.

*Proposed additions are marked by underlining and proposed deletions by square brackets.

ANNEX XIV (cont.)

Recommendations to the General Assembly for amendment of the Regulations of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
Article 34(b) (b) A benefit shall nevertheless not be payable if the participant had commuted his widow's prospective benefit under article 28 or 29, or had commuted a deferred retirement benefit under article 30(c).	Article 34(b) (b) A benefit shall nevertheless not be payable if the participant had commuted his widow's prospective benefit under article 28 or 29 [, or had commuted a deferred retirement benefit under article 30(c)].	Consequential to proposed amendment of article 30(c).
Article 34, new (h) (h) No existing text	**Article 34, new (h)** **(h)** Notwithstanding the provisions of (a) and (f) above, with respect to a surviving spouse who had remarried prior to 1 April 1999 the benefit under (a) above shall be payable as from 1 January 2001, subject to recovery (with interest) of the lump sum payment that had been made to that surviving spouse upon remarriage, as provided in the Regulations then in effect.	See paras. 167 to 171 of this report.
Article 35 bis, new (e) (e) No existing text	Article 35 bis, new (e) (e) The divorced spouse of a former participant who separated before 1 April 1999 and, in the opinion of the Secretary, met all the other eligibility conditions in subparagraphs (a) and (b) of this article shall be entitled as from 1 April 1999 to a benefit equal to twice the minimum surviving spouse's benefit under article 34(c), subject to the proviso that the amount of such benefit cannot exceed the amount payable to a surviving spouse of the former participant.	See paras. 157 to 165 of this report.
Article 43 The Board may deduct from any benefit payable under these Regulations to a participant, or on his or her account, the amount of any indebtedness to the Fund by the participant or by any beneficiary or third person to whom payment has been made otherwise than in accordance with these Regulations.	Article 43 The Board may deduct from any benefit payable under these Regulations to a participant, or on his or her account, the amount of any indebtedness to the Fund by the participant or by any beneficiary or third person to whom payment has been made otherwise than in accordance with these Regulations, including interest and costs, where appropriate.	See paras. 257 to 262 of this report.

*Proposed additions are marked by underlining and proposed deletions by square brackets.

ANNEX XIV (cont.)

Recommendations to the General Assembly for amendment of the Regulations of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
Article 45	Article 45	
A participant or beneficiary may not assign his or her rights under these Regulations. Notwithstanding the foregoing, the Fund may, upon receipt of a request from a participant or former participant made pursuant to a legal obligation arising from a marital or parental relationship and evidenced by an order of a court or by a settlement agreement incorporated into a divorce or other court order, direct that a portion of a benefit payable by the Fund to such participant for life be paid to one or more former spouses and/or a current spouse from whom the participant or former participant is living apart. Such direction or payment related thereto shall not convey to any person a benefit entitlement from the Fund or (except as provided herein) provide any rights under the Regulations of the Fund to such person or increase the total benefits otherwise payable by the Fund. To be acted upon, a request must be consistent with the Regulations of the Fund. The direction in any such request shall normally be irrevocable; however, a participant or former participant may request, upon satisfactory evidence based on a court order or a provision of a settlement agreement incorporated into a court decree, a new direction that would alter or discontinue the payment or payments. Furthermore, any direction shall cease to have effect following the death of the participant or former participant. If a designee under a direction predeceases the participant or former participant, the payments shall not commence, or if they have commenced, shall cease upon the designee's death. In the event that the payment or payments under a direction have been diminished, discontinued, or have failed to commence or have ceased, the amount of benefit payable to the participant or former participant shall be duly adjusted.	(a) A participant or beneficiary may not assign his or her rights under these Regulations. Notwithstanding the foregoing, the Fund may, [upon receipt of a request from a participant or former participant made pursuant to a legal obligation] to satisfy a legal obligation on the part of a participant or former participant arising from a marital or parental relationship and evidenced by an order of a court or by a settlement agreement incorporated into a divorce or other court order, [direct that] remit a portion of a benefit payable by the Fund to such participant for life [be paid] to one or more former spouses and/or a current spouse from whom the participant or former participant is living apart. Such [direction or] payment [related thereto] shall not convey to any person a benefit entitlement from the Fund or (except as provided herein) provide any rights under the Regulations of the Fund to such person or increase the total benefits otherwise payable by the Fund. (b) To be acted upon, the requirement under [a request] the court order must be consistent with the Regulations of the Fund, as determined by the Secretary to be beyond any reasonable doubt, and on the basis of the available evidence. Once implemented, the assignment [The direction in any such request] shall normally be irrevocable; however, a participant or former participant may request, upon satisfactory evidence based on a court order or a provision of a settlement agreement incorporated into a court decree, a new [direction] decision by the Secretary that would alter or discontinue the payment or payments. Furthermore, such payment or payments [any direction] shall cease [to have effect] following the death of the participant or former participant. If a designee [under a direction] predeceases the participant or former participant, the payments shall not commence, or if they have commenced, shall cease upon the designee's death. In the event that the payment or payments [under a direction] have been diminished, discontinued, or have failed to commence or have ceased, the amount of the benefit payable to the participant or former participant shall be duly adjusted.	See paras. 172 to 177 of this report.

*Proposed additions are marked by underlining and proposed deletions by square brackets.

ANNEX XV

Recommendations to the General Assembly for changes in the Pension Adjustment System of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
B. Benefits Involved	B. Benefits Involved	
4. Except as otherwise noted, the Pension Adjustment System applies to retirement, early retirement, deferred retirement, disability, widow's, widower's, child's and secondary dependant's periodic benefits. It does not apply to withdrawal or other lump-sum payments, including those derived from the partial or total commutation of a periodic benefit, not does it apply to any benefit arising from voluntary deposits. Adjustments operate on benefits based on standard, minimum and maximum formulae, including those that are based on flat dollar amounts.	4. Except as otherwise noted (e.g. in paragraphs 5(d), 10 and 27 with regard to deferred retirement benefits), the Pension Adjustment System applies to retirement, early retirement, deferred retirement, disability, widow's, widower's, child's and secondary dependant's periodic benefits. It does not apply to withdrawal or other lump-sum payments, including those derived from the partial or total commutation of a periodic benefit, not does it apply to any benefit arising from voluntary deposits. Adjustments operate on benefits based on standard, minimum and maximum formulae, including those that are based on flat dollar amounts.	See paras. 263 to 272 of this report.
C. Determination of Base Amounts	C. Determination of Base Amounts	
5. The two base amounts for beneficiaries are determined as follows:	5. The two base amounts for beneficiaries are determined as follows.	See paras. 263 to 272 of this report.
(a) A dollar base amount is established on the basis of the basic pension determined in accordance with the Regulations of the Fund and excluding, where necessary, any portion elected under the commutation provisions of the Regulations, but reflecting, where applicable, any special adjustment determined under section E below.	(a) No change	
(b) A local currency base amount is calculated for the country of residence established pursuant to section N below, as follows:	(b) No change	
(i) A cost-of-living differential factor is established for the country of residence and the month of separation in accordance with section D below. This factor is applied to that portion of the final average remuneration which does not exceed the pensionable remuneration, on the date of separation, in the scale referred to in article 54(b) of the Regulations, at the top step of the grades set out below:	(c) No change	
	(d) The cost-of-living differential factor in sub-paragraph 5(b)(i) above shall not apply to deferred retirement benefits.	

*Proposed additions are marked by underlining.

ANNEX XV

Recommendations to the General Assembly for changes in the Pension Adjustment System of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
P-2: for separations before 1 April 1992; P-4: for separations on or after 1 April 1992; for disability benefits commencing after 1 January 1991 and for other benefits derived therefrom; and for survivors' and other benefits due to deaths in service of participants occurring on or after 1 January 1991. The resulting amount is added to the final average remuneration; (ii) A notional dollar base amount is established on the basis of the adjusted final average remuneration as per (i) above and in accordance with the Regulations, excluding that percentage of the base pension which was commuted into a lump sum; (iii) The local currency amount is then derived by applying to item (ii) the average, computed over the 36 consecutive calendar months up to and including the month of separation, of the exchange rates between the United States dollar and the currency of the country of residence. (c) For beneficiaries to whom the interim and transitional measures set out in section P below apply, the local currency base amount calculated in (b) above shall be subject to the minimum determined in accordance with section P. (d) No existing text		

*Proposed additions are marked by underlining.

ANNEX XV

Recommendations to the General Assembly
for changes in the Pension Adjustment System
of the United Nations Joint Staff Pension Fund*

Existing text	Proposed text	Comments
H. Subsequent Adjustments of the Benefit	H. Subsequent Adjustments of the Benefit	
18. No adjustment is made in either the dollar amount or the local currency amount if the applicable CPI has moved by less than 3 per cent since the date of the last adjustment. The ratio of the CPI at one time to the CPI at another time is rounded to three decimal places.	18. No adjustment is made in either the dollar amount or the local currency amount if the applicable CPI has moved by less than [3] 2 per cent since the date of the last adjustment. The ratio of the CPI at one time to the CPI at another time is rounded to three decimal places.	See paras. 198 to 200 of this report.

*Proposed additions are marked by underlining and proposed deletions by square brackets.

Annex XVI

Draft resolution proposed for adoption by the General Assembly

[The draft resolution covers those matters in the report of the United Nations Joint Staff Pension Board which require action by the General Assembly, as well as other matters in the report which the Assembly may wish to address in its resolution.]

The General Assembly,

Recalling its resolutions 51/217 of 18 December 1996, 53/210 of 18 December 1998, and section V of resolution 54/251 of 23 December 1999,

Having considered the report of the United Nations Joint Staff Pension Board for 2000 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund,[a] the report of the Secretary-General on the investments of the Fund,[b] and the related report of the Advisory Committee on Administrative and Budgetary Questions,[c]

I
Actuarial matters

Recalling section I of its resolution 53/210,

Having considered the results of the valuation of the United Nations Joint Staff Pension Fund as at 31 December 1999 and the observations thereon by the Consulting Actuary of the Fund, the Committee of Actuaries and the Board,

1. *Takes note with satisfaction* of the improvement in the actuarial situation of the Fund, from an actuarial surplus of 0.36 per cent of pensionable remuneration as at 31 December 1997 to an actuarial surplus of 4.25 per cent of pensionable remuneration as at 31 December 1999, and in particular of the opinions provided by the Consulting Actuary and the Committee of Actuaries, as reproduced in annexes IV and V, respectively, to the report of the Board;[a]

2. *Takes note also* of the decision of the Board, in accordance with article 11 (a) of the Regulations of the Fund, to lower the interest rate used to determine lump-sum commutations, from the current 6.5 per cent to 6 per cent, with respect to contributory service performed as from 1 January 2001;

3. *Takes note further* that the Board has established a working group to undertake a fundamental review of the benefit provisions of the Fund, taking into account developments in staffing and remuneration policies in the member organizations and in pension arrangements at the national and international levels, and to make proposals to the Standing Committee in 2001 and subsequently to the Board in 2002, on the future long-term needs of the Fund and its constituent groups, for eventual submission by the Board to the General Assembly at its fifty-seventh session;

---

[a] *Official Records of the General Assembly, Fifty-fifth session, Supplement No. 9* (A/55/9).
[b] A/C.5/55/3.
[c] A/55/___.

4. *Concurs* with the Transfer Agreement with the World Trade Organization, approved by the Board under article 13 of the Regulations of the Fund, with a view to securing continuity of pension rights between the Fund and the World Trade Organization, as set out in annex VII to the report of the Board;

5. *Takes note* of the intention of the Board and the International Bank for Reconstruction and Development to pursue a new transfer agreement in the light of the changes made in the pension plan of the Bank, and of the interim procedures that will be followed until a new agreement is concluded;

II

Pension adjustment system

Recalling section II of its resolution 53/210,

Having considered the reviews carried out by the United Nations Joint Staff Pension Board, as set out in paragraphs 186 to 200 of its report,[a] of various aspects of the pension adjustment system,

1. *Takes note* of the results of the monitoring of the costs/savings of recent modifications of the two-track feature of the pension adjustment system, and of the intention of the Board to continue to monitor those costs/savings every two years, on the occasion of the actuarial valuations of the Fund;

2. *Approves* changes in the pension adjustment system, as set out in annex XV to the report of the Board:[a]

(a) To lower the threshold for implementing cost-of-living adjustments of pensions in award from 3 per cent to 2 per cent, with effect from the adjustment due on 1 April 2001; and

(b) To modify, provisionally, paragraphs 4 and 5 of the provisions of the pension adjustment system in order to implement Judgement 942 of the United Nations Administrative Tribunal, as described in section X, paragraphs 263 to 272, of the report of the Board,[a] pending possible future proposals by the Board to the General Assembly for changes in the pension adjustment system as regards adjustments of deferred retirement benefits;

III

Financial statements of the Fund and report of the Board of Auditors

Having considered the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 1999, the audit opinion and report of the Board of Auditors thereon, the information provided on the internal audits of the Fund and the observations of the United Nations Joint Staff Pension Board,

Takes note with satisfaction that the report of the Board of Auditors on the accounts of the Fund for the biennium ended 31 December 1999 had indicated that the financial statements presented fairly, in all respects, the financial position of the Fund, and that the transactions tested as part of the audit had, in all significant respects, been in accordance with the Financial Regulations and legislative authority,

IV
Longer-term administrative arrangements of the Fund

Recalling section VII of its resolutions 51/217, section V of resolution 52/222, section V of 53/210 and section V of 54/251 concerning the administrative arrangements and expenses of the United Nations Joint Staff Pension Fund,

Having considered section VI of the report of the United Nations Joint Staff Pension Board,[a] on the longer-term administrative arrangements of the Fund,

1. *Takes note* of the information, set out in paragraphs 117 to 154 of the report of the Board,[a] on the strategic plan for the operations of the Fund, which addresses computer systems, process re-engineering and technological improvements, the progress report on the enhancement of the role of the Geneva office of the Fund, the delegation of personnel and procurement decisions to the Fund and office space needs;

2. *Welcomes* the efforts under way to effect improvements in the Fund's administrative operations through greater use of the latest developments in information technology, including electronic exchanges of information between the Fund and its member organizations, as well as with participants and beneficiaries of the Fund, using Internet/Intranet web sites;

3. *Requests* the Standing Committee, in submitting the budget proposals for the biennium 2002-2003 and, if necessary, revised estimates for the current biennium, to provide detailed information on the costs and benefits related to both phase I and phase II of the project, including timetables and the prioritizing of the various initiatives;

V
Entitlement to survivors' benefits for spouses and former spouses

Recalling section VIII, paragraph 4, of its resolution 51/217 and section VIII of resolution 53/210,

Noting the further review undertaken by the United Nations Joint Staff Pension Board of issues related to the pension entitlements of spouses and former spouses, as set out in paragraphs 155 to 185 of its report,[a]

1. *Approves* the amendment to article 35 bis of the Regulations of the Fund, as set out in annex XIV to the report of the Board,[a] which would extend the provision for a divorced surviving spouse's benefit, to divorced spouses of former participants who separated before 1 April 1999 and who meet all the other eligibility conditions in subparagraph (b) of article 35 bis;

2. *Approves also* the amendment to article 34, as set out in annex XIV to the report of the Board,[a] which would restore the surviving spouse's benefit that had been eliminated for those who had remarried prior to 1 April 1999, subject to recovery (with interest) of the lump-sum payment made at the time of remarriage;

3. *Approves further* an amendment to article 45, as set out in annex XIV to the report of the Board,[a] which would modify the payment facility approved in resolution 53/210 along the lines set out in paragraphs 172 to 177 of the report of the Board;

4. *Approves*, with effect from 1 April 2001, the amendment to article 34 (b), as set out in annex XIV to the report of the Board,[a] which would eliminate the partial commutation option for participants electing to receive a deferred retirement benefit for the reasons set out in paragraphs 178 to 183 of the report of the Board;

5. *Takes note* of the responses to the arrangements approved in resolution 53/210 for the optional purchase of surviving spouses' benefits, on cost-neutral terms, in respect of marriage after separation from service;

6. *Requests* the Board to continue to monitor the experience with these issues and to report to the General Assembly, as necessary;

VI
Status of the proposed agreement between the Pension Board and the Government of the Russian Federation

Recalling section IV of its resolution 51/217 and section III of resolution 53/210,

Noting that the General Assembly, on the recommendation of the Board, had given its concurrence to the proposed agreement between the Government of the Russian Federation and the Board and had requested the Board to provide information to the Assembly at its fifty-third session on developments in respect of the further steps envisaged under section IV, paragraph 5, of resolution 51/217,

Noting also the information provided by the Board on developments, as set out in paragraphs 201 to 232 of the report of the Board,[a] since the statement made by the delegation of the Russian Federation to the General Assembly at its fifth-third session, concerning the problems that had arisen with regard to the implementation of the proposed agreement, and the intention of the Government of the Russian Federation to pursue all outstanding issues,

Noting further that the General Assembly in resolution 53/210 had encouraged all parties concerned to continue their efforts to resolve the problems addressed in section IV of its resolution 51/217, in particular those within the framework of the proposed agreement and protocol thereto,

[*Operative paragraphs to be formulated in the light of developments*]

VII
Other matters

1. *Takes note* of the observations of the United Nations Joint Staff Pension Board, as set out in paragraphs 233 to 240 of its report,[a] on the review and conclusions reached by the International Civil Service Commission on the changes in average tax rates at the seven headquarters duty stations which formed the basis for the development of the current common scale of staff assessment for pensionable remuneration;

2. *Takes note also* of the review of the size and composition of the Board and the Standing Committee and, in particular, the provisional allocation of the seat vacated by the former Interim Commission for the International Trade Organization effected upon the termination of its membership in the Fund as at 31 December 1998, as described in paragraphs 241 to 252 of the report of the Board;[a]

3. *Notes* that a further review of the size and composition of the Board and the Standing Committee will be undertaken in the first instance by the Standing Committee in 2001 and subsequently by the Board in 2002, addressing the issues set out in paragraph 252 of the report of the Board;[a]

4. *Approves*, with effect from 1 January 2001, amendments to articles 6 and 14 of the Regulations of the Fund, as set out in annex XIV to the report of the Board,[a] which would, respectively:

(a) Set the terms of office for the elected members and alternate members of the United Nations Staff Pension Committee at four years, instead of the current three years; and

(b) Set the frequency of the audits of the accounts of the Fund to be every two years, instead of annually;

5. *Approves also*, with effect from 1 January 2001, an amendment to article 43 of the Regulations, as set out in annex XIV to the report of the Board,[a] which would provide for the recovery of indebtedness to the Fund pursuant to observations made by the Board of Auditors and to the comments thereon by the Board, for the reasons given in paragraphs 257 to 262 of the report of the Board;

6. *Takes note* of the consequent amendment that would be made to administrative rule J.9 (a), as set out in paragraph 261 of the report of the Board;[a]

7. *Takes note also* of the other matters dealt with in section X of the report of the Board.[a]

VIII
Investments of the Fund

1. *Takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund, as well as the observations of the United Nations Joint Staff Pension Board thereon in its report;[a]

2. *Takes note also* of the observations of the Board of Auditors on the outstanding tax refunds due to the Fund from some Member States in respect of direct taxes imposed on the Fund's investment income, as set out in paragraphs 20 to 24 of its report, which is reproduced in annex III to the report of the Board;[a]

3. *Urges once again* those Member States which have outstanding balances on foreign tax accounts receivable to provide the reimbursement due;

4. *Reiterates* its request to those Member States which do not grant tax exemptions to make all possible efforts to do so as soon as possible.

00-62549 (E) 031000